

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**City of Greenville
Montcalm County, Michigan**

FINANCIAL STATEMENTS

June 30, 2004

City of Greenville
Montcalm County, Michigan
June 30, 2004

CITY COUNCIL AND ADMINISTRATION

Mr. Lloyd Walker	Mayor
Mr. Kenneth Snow	Mayor Pro-Tem
Mr. Mark Lehman	Council Member
Ms. Jeanne Cunliffe	Council Member
Ms. Joyce London	Council Member
Mr. John Hoppough	Council Member
Mr. Lloyd Scoby	Council Member
Mr. George Bosanic	City Manager
Mr. Bradley Hool	Clerk/Treasurer

City of Greenville

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Principals

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Greenville
Greenville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Greenville, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Greenville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

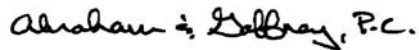
In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Greenville, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004 on our consideration of City of Greenville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 23, 2004

City of Greenville

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of City of Greenville's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section. 2003/2004 represents the first year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$35,423,952 (excluding component units).
- Governmental activities net assets were \$23,567,901.
- Business-type activity net assets were \$11,856,051.
- Component Unit net assets were \$703,293.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,178,713 with \$820,061 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund's budgeted revenue shortfall was \$299,268 due to State Tax Commission appeals, a decline in State Revenue Sharing, a decline in 911 surcharges, and booking unrealized losses on investments (cost versus market value). However, General Fund operations expended \$126,253 less than appropriated.
- Overall, the General Fund balance decreased by \$532,720 to \$338,412 - \$259,060 of which is undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The City had no new debt issues for the fiscal year 2003/2004.
- The total long-term debt for the primary government is \$1,917,343 with a reduction of \$234,777 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$3,217,847 comprised of additions to the water and sewer systems, new computers, a dump truck with a plow, street improvements and three (3) transit busses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental and enterprise funds and other funds and other financial data.

City of Greenville

Management's Discussion and Analysis

Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City's net assets changed during 2003/2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Four authorities are included as a discretely presented component units: the Downtown Development Authority, the Economic Development Corporation, the Local Development Finance Authority, and the Tax Increment Finance Authority. Any remaining component units are blended into the primary government governmental activities as required.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

City of Greenville

Management's Discussion and Analysis

- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements, which begin on page 3, provide information on the City's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Greenville include the General Fund, the Major Street Fund, the Solid Waste Fund, the Development & Rehab Fund, the Special Assessment Fund, the Capital Improvement Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

City of Greenville

Management's Discussion and Analysis

- **Fiduciary Funds** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Net Assets on page 19. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to fund the City's operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 24 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, nonmajor proprietary and fiduciary funds as well as certain other information on transportation operations and component units. These governmental, proprietary, internal service and fiduciary funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, the City of Greenville's combined net assets were \$35,423,952 at the end of this fiscal year's operations. The net assets of the governmental activities were \$23,567,901; the business type activities were \$11,856,051.

Net Assets as of June 30, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Current Assets	\$ 5,413,960	\$ 1,279,887	\$ 6,693,847
Noncurrent Assets	<u>19,663,153</u>	<u>11,487,212</u>	<u>31,150,365</u>
Total Assets	<u>\$ 25,077,113</u>	<u>\$12,767,099</u>	<u>\$ 37,844,212</u>
Current Liabilities	\$ 664,771	\$ 176,048	\$ 840,819
Noncurrent Liabilities	<u>844,441</u>	<u>735,000</u>	<u>1,579,441</u>
Total Liabilities	<u>\$ 1,509,212</u>	<u>\$ 911,048</u>	<u>\$ 2,420,260</u>
Net Assets			
Invested in Capital Assets (Net of related debt)	\$ 18,685,874	\$ 9,209,949	\$ 27,895,823
Restricted	2,021,827	332,463	2,354,290
Unrestricted	<u>2,860,200</u>	<u>2,313,639</u>	<u>5,173,839</u>
Total Net Assets	<u>\$ 23,567,901</u>	<u>\$11,856,051</u>	<u>\$ 35,423,952</u>

City of Greenville
Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's primary government net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Year Ending June 30, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 1,194,043	\$ 1,788,890	\$ 2,982,933
Grants and Contributions	3,605,778	466,053	4,071,831
General Revenues			
Property Taxes	2,167,830	45,962	2,213,792
State Shared Revenue	857,393	-	857,393
Investment Earnings	79,999	4,167	84,166
Transfers	253,328	-	253,328
Miscellaneous	<u>215,452</u>	<u>-</u>	<u>215,452</u>
Total Revenues	8,373,823	2,305,072	10,678,895
Expenses			
General Government	1,163,956	-	1,163,956
Public Safety	1,733,654	-	1,733,654
Public Works	2,199,622	-	2,199,622
Community and Econ. Dev.	51,528	-	51,528
Recreation and Cultural	433,366	-	433,366
Interest on Long Term Debt	32,993	-	32,993
Other	785,183	1,942,684	2,727,867
Transfers	<u>-</u>	<u>124,145</u>	<u>124,145</u>
Total Expenses	<u>6,400,302</u>	<u>2,066,829</u>	<u>8,467,131</u>
Increase in Net Assets	1,973,521	238,243	2,211,764
Net Assets - Beginning	<u>21,594,380</u>	<u>11,617,808</u>	<u>33,212,188</u>
Net Assets - Ending	<u>\$ 23,567,901</u>	<u>\$11,856,051</u>	<u>\$ 35,423,952</u>

Governmental Activities:

The result of 2003/2004 governmental activity was an increase of \$1,973,521 in net assets to \$23,878,551. Of the total governmental activities' net assets, \$18,685,874 is invested in capital assets less related debt, \$2,021,827 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$2,860,200 is listed as unrestricted, having no legal commitment.

City of Greenville

Management's Discussion and Analysis

Revenues:

The three largest revenue categories were grants and contributions at 43.0%, property taxes at 25.9%, and charges for services at 14.3%. Grants and contributions are the largest source of governmental activity revenue and include items such as state-funded street improvements and State operating assistance. The City levied five property tax millages for the year ended June 30, 2004, one being for general government operations at 9.04 mills, which is not assigned to any particular activity, one for City Public Improvements at 2.17 mills, one for Solid Waste Collection at .9073 mills, one for Local Street Operations at .60 mills and one for Transit Operations at .25 mills. Charges for services, which reimburse the City for specific activities, are the third largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

Expenses:

Public works is the largest governmental activity, expending approximately 34.4% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 27.1% of the governmental activities total on police and fire protection.

Business-type Activities:

Net assets of business-type activities increased by \$238,243 to \$11,856,051 during 2003/2004. Of the business-type activities' net assets, \$9,209,949 is invested in capital assets net of related debt, \$332,463 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$2,313,639 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NON MAJOR FUNDS

As the City completed 2003/2004, its governmental funds reported *combined* fund balances of \$3,178,713. This is a net decrease of \$515,032. The net changes are summarized in the following charts A and B.

Chart A

	General Fund	Major Street Fund	Solid Waste Fund	Development & Rehab Fund
Fund Balance 06/30/03	\$ 871,132	\$ 885,262	\$ 400,759	\$ 224,670
Fund Balance 06/30/04	\$ 338,412	\$ 947,444	\$ 412,923	\$ 225,225
Net Change	\$ (532,720)	\$ 62,182	\$ 12,164	\$ 555

City of Greenville
Management's Discussion and Analysis

Chart B

	Special Assessment Fund	Capital Improve. Fund	Nonmajor Government Funds	Totals
Fund Balance 06/30/03	\$ 13,002	\$ 348,450	\$ 950,470	\$ 3,693,745
Fund Balance 06/30/04	\$ 44,213	\$ 194,434	\$1,016,062	\$ 3,178,713
Net Change	\$ 31,211	\$ (154,016)	\$ 65,592	\$ (515,032)

General Fund:

- The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported a fund balance of \$338,412. This amount is a decrease of \$532,720 from the fund balance of \$871,132 reported as of June 30, 2003. The 2003/2004 original budget called for a \$158,000 use of fund balance. Of the entire fund balance \$79,352 is reported as being reserved, designated, or otherwise earmarked for specific purposes.

The General Fund 2003/2004 expenditures exceeded 2003/2004 revenues by \$550,915, however, the General Fund also supports the operations of other funds including the Community Center Fund, Debt Retirement Fund, Dental & Vision Fund, Health & Life Fund, Motor Pool Fund, Parking Fund, Recreation Fund, and Water Funds. These particular funds collectively received \$940,316 in support from the General Fund.

General Fund Budgetary Highlights:

The City of Greenville's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$4,024,251, \$489,299 below the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy.

The \$489,299 shortfall in budgeted General Fund Revenue was largely due to the following six variations. State Revenue Sharing was approximately \$13,600 less than budgeted due to state cuts. Administrative transfers were approximately \$190,000 less than budgeted due to administrative staff and department of public works emphasis on projects outside of the General Fund. Tax collections were approximately \$157,000 less than budget due to tax appeals to the State Tax Commission and recognizing uncollectible amounts. Interest on investments was approximately \$94,500 less than budgeted due to lower interest rates and booking unrealized losses on investments (cost versus market value). Telephone surcharges for 911 services were approximately \$83,150 less than budgeted due to reduce number of land lines and an increase in cell phone lines.

The City's expenditure budget was increased by \$158,000 (4.4% above the original budget) during 2003/2004. The majority of this increase (\$65,000; 41%) was due to increased insurance rates, (\$50,000; 31.6%) for legal fees, and (\$26,000; 16.50%) retirement cost due to a pension improvement in the City's defined benefit plan. The balance of the increase was for rising health insurance premiums, public utilities, and technology related items.

City of Greenville

Management's Discussion and Analysis

Actual City expenditures for 2003/2004 were \$126,253 below the final amended budget. This is due to several reasons including:

- \$29,816 less than planned expenditures in General Government Departments.
- \$10,050 less than planned expenditures in the Department of Public Works.
- \$37,703 less than planned expenditures in the Public Safety Department.
- \$32,104 less than planned expenditures in the Economic Development Department.
- \$14,800 less than planned expenditures in the Other Operations.

Major Streets Fund:

As of June 30, 2004, the Major Streets Fund reported a fund balance of \$947,444, an increase of \$62,182 from the prior year. The total fund balance is undesignated/unreserved. Actual Major street revenue totaled \$491,336, \$14,664 below the final amended budget. The variations in individual revenue accounts reflecting the tightening state economy and intergovernmental revenue sharing.

Actual expenditures for 2003/2004 were \$119,913 below the final amended budget. This is due to several reasons including:

- \$55,300 less than planned expenditures in Surface Maintenance.
- \$12,300 less than planned expenditures in Fall Leaf Cleanup.
- \$17,300 less than planned expenditures in the Winter Maintenance.
- \$22,600 less than planned expenditures in State Trunkline Maintenance.

Solid Waste Fund:

As of June 30, 2004, the Solid Waste Fund reported a fund balance \$412,923, which is an increase of \$12,164 from the prior year. The total fund balance is undesignated/unreserved.

Development and Rehabilitation Fund:

As of June 30, 2004, the Development & Rehabilitation Fund reported a fund balance \$225,225, which is an increase of \$555 from the prior year. The total fund balance is undesignated/unreserved.

Special Assessment Fund:

As of June 30, 2004, the Special Assessment Fund reported a fund balance \$44,213, which is an increase of \$31,211 from the prior year. The total fund balance is undesignated/unreserved.

Capital Improvement Fund:

As of June 30, 2004, the Capital Improvement Fund reported a fund balance \$194,434, which is a decrease of \$154,016 from the prior year. The total fund balance is undesignated/unreserved.

This Fund functions as a clearing fund for all capital projects, and as such the Fund Balance will vary as projects can be posted over multiple years.

As the City completed 2003/2004, its business type activities funds reported *combined* net assets of \$3,489,363. This is a net decrease of \$204,382. The net changes are summarized in the following chart C.

City of Greenville
Management's Discussion and Analysis

Chart B

	Sewer Fund	Water Fund	Non Major Enterprise Funds	Totals
Net Assets 06/30/03	\$ 7,559,525	\$3,995,401	\$ 1,068,725	\$ 12,623,651
Net Assets 06/30/04	\$ 7,384,616	\$3,516,441	\$ 954,994	\$ 11,856,051
Net Change	\$ (174,909)	\$ (478,960)	\$ (113,731)	\$ (767,600)

Sewer Fund:

As of June 30, 2004, the Sewer Fund reported net assets of \$7,384,616, a decrease of \$174,909 from the prior year. Of the entire net assets, \$332,463 is reported as being restricted for debt service and \$5,727,827 is invested in capital assets net of related debt. The remainder is unrestricted.

The \$174,909 decrease in net assets was due in large because of the following variations. Depreciation expense increased by approximately \$100,000 due to accounting changes associated with GASB 34. Interest on investments was substantially lower due to lower interest rates and booking unrealized losses on investments (cost versus market value).

Water Fund:

As of June 30, 2004, the Water Fund reported net assets of \$3,516,441, a decrease of \$478,960 from the prior year. Net assets are \$2,518,361 invested in capital assets, net of related debt and \$988,080 unrestricted.

The \$478,960 decrease in net assets was mostly due to asset reclassifications as a result of undertaking a fixed asset study offset by increases from operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2003/2004, the City had invested \$29,306,291, and \$6,178,837 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$19,472,878 for the primary government. Depreciation charges for the fiscal year totaled \$1,188,843 for the primary government and \$78,213 for the component unit. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net book value of capital assets at June 30, 2004 was as follows:

City of Greenville
Management's Discussion and Analysis

	Governmental Activities	Business- type Activities	Component Unit (DDA)	Total
Land, land improvements, and infrastructure, net	\$ 17,010,977	\$ 678,826	\$ 6,178,837	\$ 23,868,640
Buildings, net	1,545,781	61,158	-	1,606,939
Vehicles and equipment, net	709,584	223,777	-	933,361
Sewer system, net	-	6,557,827	-	6,557,827
Water system, net	-	2,518,361	-	2,518,361
Capital assets, net	\$ 19,266,342	\$ 10,039,949	\$ 6,178,837	\$ 35,485,128

Long-term Debt - As of June 30, 2004, the City had \$1,917,343 in outstanding debt for the primary government. This level of obligation is \$234,777 less than that recorded as of June 30, 2003.

Outstanding Debt as of June 30, 2004:

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>
Primary Government				
Governmental Activities				
General Obligation Bonds	\$ 280,000	\$ -	\$ 65,000	\$ 215,000
Special Assessment Bonds	360,000	-	50,000	310,000
Contract Payable	65,055	-	9,587	55,468
Compensated Absences	527,065	-	20,190	506,875
Business-type Activities				
General Obligation Bonds	660,000	-	75,000	585,000
Improvement Bonds	<u>260,000</u>	<u>-</u>	<u>15,000</u>	<u>245,000</u>
Total Primary Government	<u>\$2,152,120</u>	<u>\$ 0</u>	<u>\$ 234,777</u>	<u>\$1,917,343</u>
Component Unit				
General Obligation Bonds	\$4,715,000	\$ -	\$ 60,000	\$4,655,000
Tax Increment Bonds	445,000	-	55,000	390,000
Installment Purchase	<u>1,147,413</u>	<u>-</u>	<u>64,963</u>	<u>1,082,450</u>
Total Reporting Entity	<u>\$8,459,533</u>	<u>\$ 0</u>	<u>\$ 414,740</u>	<u>\$8,044,793</u>

Activity for the Component Units during 2003/2004 included the payment of \$179,963 for debt retirement.

A more detailed discussion of the City's long-term debt obligations is presented in Note H to the financial statements.

City of Greenville
Management's Discussion and Analysis

CITY OF GREENVILLE GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has declined nearly \$271,000 over the past five years, and may face additional cuts due to state budget problems.
- Property tax revenue has not kept pace with inflation.
- The City has been advised that its major employer could be closing its manufacturing facility in fiscal 2006. This could result in up to a 30% loss in the City's tax base.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2004/2005. A usage of \$146,446 of the City's fund balance was included to balance the General Fund Budget, although it is estimated that the deficit will be less as the City continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Greenville's Treasurer's Office at (616) 754-5645.

BASIC FINANCIAL STATEMENTS

City of Greenville

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,814,682	\$ 771,304	\$ 2,585,986	\$ 155,863
Investments	2,193,021	-	2,193,021	-
Receivables	1,115,085	402,876	1,517,961	-
Due from other governmental units	253,313	9,352	262,665	174,968
Internal balances	(45,352)	52,515	7,163	(7,163)
Due from fiduciary funds	3,859	-	3,859	388,362
Inventories	61,546	43,090	104,636	-
Prepays	17,806	-	17,806	-
Other current assets	-	750	750	-
Total current assets	5,413,960	1,279,887	6,693,847	712,030
Noncurrent assets				
Cash and cash equivalents - restricted	-	338,057	338,057	-
Investments	396,811	1,109,206	1,506,017	-
Capital assets, net	19,266,342	10,039,949	29,306,291	6,178,837
Total noncurrent assets	19,663,153	11,487,212	31,150,365	6,178,837
TOTAL ASSETS	25,077,113	12,767,099	37,844,212	6,890,867
LIABILITIES				
Current liabilities				
Accounts payable	127,865	40,238	168,103	646
Accrued liabilities	81,504	26,344	107,848	-
Due to other governmental units	164,063	-	164,063	-
Due to fiduciary funds	37,920	-	37,920	-
Accrued interest payable	10,517	-	10,517	59,478
Deferred revenue	-	14,466	14,466	-
Current portion of compensated absences	117,833	-	117,833	-
Current portion of long-term debt	125,069	95,000	220,069	242,680
Total current liabilities	664,771	176,048	840,819	302,804
Noncurrent liabilities				
Noncurrent portion of compensated absences	389,042	-	389,042	-
Noncurrent portion of long-term debt	455,399	735,000	1,190,399	5,884,770
Total noncurrent liabilities	844,441	735,000	1,579,441	5,884,770
TOTAL LIABILITIES	1,509,212	911,048	2,420,260	6,187,574
NET ASSETS				
Invested in capital assets, net of related debt	18,685,874	9,209,949	27,895,823	1,523,837
Restricted for:				
Debt service	33,696	332,463	366,159	-
Other purposes	1,988,131	-	1,988,131	-
Unrestricted	2,860,200	2,313,639	5,173,839	(820,544)
TOTAL NET ASSETS	\$ 23,567,901	\$ 11,856,051	\$ 35,423,952	\$ 703,293

See accompanying notes to financial statements.

City of Greenville

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 1,163,956	\$ 151,126	\$ 8,903	\$ -	\$ (1,003,927)	\$ -	\$ (1,003,927)	\$ -
Public safety	1,733,654	214,268	7,200	-	(1,512,186)	-	(1,512,186)	-
Public works	2,199,622	703,253	602,493	2,830,725	1,936,849	-	1,936,849	-
Community and economic development	51,528	-	102,069	-	50,541	-	50,541	-
Recreation and cultural	433,366	125,396	54,388	-	(253,582)	-	(253,582)	-
Other	785,183	-	-	-	(785,183)	-	(785,183)	-
Interest on long-term debt	32,993	-	-	-	(32,993)	-	(32,993)	-
Total governmental activities	6,400,302	1,194,043	775,053	2,830,725	(1,600,481)	-0-	(1,600,481)	-0-
Business-type activities								
Sewer	791,637	922,526	26,771	-	-	157,660	157,660	-
Water	516,590	633,157	26,351	-	-	142,918	142,918	-
Other	634,457	233,207	222,871	190,060	-	11,681	11,681	-
Total business-type activities	1,942,684	1,788,890	275,993	190,060	-0-	312,259	312,259	-0-
Total primary government	<u>\$ 8,342,986</u>	<u>\$ 2,982,933</u>	<u>\$ 1,051,046</u>	<u>\$ 3,020,785</u>	(1,600,481)	312,259	(1,288,222)	-0-
Component units								
Downtown Development Authority	\$ 471,220	\$ -	\$ -	\$ 11,880	-	-	-0-	(459,340)
Tax Increment Finance Authority	95,000	-	-	-	-	-	-0-	(95,000)
Local Development Finance Authority	75,005	-	-	-	-	-	-0-	(75,005)
Total component units	<u>\$ 641,225</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,880</u>	-0-	-0-	-0-	(629,345)
General revenues								
Property taxes					2,167,830	45,962	2,213,792	728,797
State shared revenues					857,393	-	857,393	-
Investment earnings					79,999	4,167	84,166	3,132
Miscellaneous					215,452	-	215,452	313
Transfers					253,328	(124,145)	129,183	-
Total general revenues and transfers					3,574,002	(74,016)	3,499,986	732,242
Change in net assets					1,973,521	238,243	2,211,764	102,897
Net assets, beginning of the year					21,594,380	11,617,808	33,212,188	600,396
Net assets, end of the year					<u>\$ 23,567,901</u>	<u>\$ 11,856,051</u>	<u>\$ 35,423,952</u>	<u>\$ 703,293</u>

See accompanying notes to financial statements.

City of Greenville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Major Street	Solid Waste Operations
ASSETS			
Cash and cash equivalents	\$ (925,987)	\$ 423,709	\$ 256,562
Investments	1,094,176	488,544	97,969
Accounts receivable	4,868	-	128,245
Taxes receivable	243,094	-	-
Special assessments receivable	954	-	-
Loan receivable	-	-	-
Accrued interest receivable	7,558	417	-
Due from other funds	5,013	-	-
Due from component unit	-	-	-
Due from other governmental units			
Federal/State	121,099	36,082	-
Local	19,944	-	-
Inventories	61,546	-	-
Prepays	17,806	-	-
TOTAL ASSETS	\$ 650,071	\$ 948,752	\$ 482,776
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 30,685	\$ 1,308	\$ 64,349
Accrued liabilities	74,642	-	-
Due to other funds	37,920	-	-
Due to component units	1,147	-	-
Due to other governmental units	164,063	-	-
Deferred revenue	3,202	-	5,504
TOTAL LIABILITIES	311,659	1,308	69,853
FUND BALANCES			
Reserved for			
Inventories and prepaids	79,352	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Unreserved			
Undesignated, reported in			
General fund	259,060	-	-
Special revenue funds	-	947,444	412,923
TOTAL FUND BALANCES	338,412	947,444	412,923
TOTAL LIABILITIES AND FUND BALANCES	\$ 650,071	\$ 948,752	\$ 482,776

See accompanying notes to financial statements.

Development and Rehabilitation	Special Assessment	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ 178,686	\$ 35,903	\$ 201,990	\$ 908,092	\$ 1,078,955
46,196	-	-	95,691	1,822,576
-	-	7,457	5,843	146,413
-	-	-	-	243,094
-	359,826	-	-	360,780
340,628	-	-	-	340,628
343	-	-	750	9,068
-	-	-	-	5,013
-	8,310	-	-	8,310
-	-	62,805	13,383	233,369
-	-	-	-	19,944
-	-	-	-	61,546
-	-	-	-	17,806
<u>\$ 565,853</u>	<u>\$ 404,039</u>	<u>\$ 272,252</u>	<u>\$ 1,023,759</u>	<u>\$ 4,347,502</u>
\$ -	\$ -	\$ 25,303	\$ 935	\$ 122,580
-	-	-	5,608	80,250
-	-	52,515	1,154	91,589
-	-	-	-	1,147
-	-	-	-	164,063
340,628	359,826	-	-	709,160
340,628	359,826	77,818	7,697	1,168,789
-	-	-	-	79,352
-	-	-	202,659	202,659
-	44,213	-	-	44,213
-	-	194,434	299,403	493,837
-	-	-	-	259,060
225,225	-	-	514,000	2,099,592
225,225	44,213	194,434	1,016,062	3,178,713
<u>\$ 565,853</u>	<u>\$ 404,039</u>	<u>\$ 272,252</u>	<u>\$ 1,023,759</u>	<u>\$ 4,347,502</u>

City of Greenville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - governmental funds \$ 3,178,713

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 31,879,738	
Accumulated depreciation is	<u>(12,613,396)</u>	
Capital assets, net		19,266,342

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	1,237,526	
Net capital assets of Internal Service Funds included in total capital assets above	(232,855)	
Long-term liabilities of Internal Service Funds included in total long-term liabilities below	<u>506,875</u>	
		1,511,546

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		709,160
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct City obligations	580,468	
Accrued interest payable	10,517	
Compensated absences	<u>506,875</u>	
		<u>(1,097,860)</u>

Net assets of governmental activities \$ 23,567,901

See accompanying notes to financial statements.

City of Greenville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General	Major Street	Solid Waste Operations
REVENUES			
Taxes	\$ 1,551,683	\$ -	\$ 166,810
Licenses and permits	21,919	-	-
Intergovernmental	1,033,463	489,567	-
Charges for services	265,365	-	653,352
Fines and forfeits	40,906	-	-
Interest and rents	62,074	1,769	1,847
Other	79,422	-	-
TOTAL REVENUES	3,054,832	491,336	822,009
EXPENDITURES			
Current			
General government	895,084	-	-
Public safety	1,442,497	-	-
Public works	412,150	202,987	756,334
Community and economic development	46,846	-	-
Recreation and cultural	100,120	-	-
Other	709,050	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	3,605,747	202,987	756,334
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(550,915)	288,349	65,675
OTHER FINANCING SOURCES (USES)			
Operating transfers in	969,419	-	-
Sale of capital assets	-	-	-
Operating transfers out	(940,316)	(226,167)	(53,511)
Loss on investments	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	29,103	(226,167)	(53,511)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(521,812)	62,182	12,164
Fund balances, beginning of year	871,132	885,262	400,759
Prior period adjustments	(10,908)	-	-
Fund balances, end of year	\$ 338,412	\$ 947,444	\$ 412,923

See accompanying notes to financial statements.

Development and Rehabilitation	Special Assessment	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 398,956	\$ 110,310	\$ 2,227,759
-	-	-	-	21,919
-	51,573	2,733,004	162,827	4,470,434
-	-	-	125,296	1,044,013
-	-	-	-	40,906
555	20,754	5	7,115	94,119
-	59,929	56,810	39,207	235,368
555	132,256	3,188,775	444,755	8,134,518
-	-	-	-	895,084
-	-	-	-	1,442,497
-	-	-	304,959	1,676,430
-	-	-	-	46,846
-	-	-	192,642	292,762
-	-	-	-	709,050
-	101,045	-	57,802	158,847
-	-	2,746,174	-	2,746,174
-0-	101,045	2,746,174	555,403	7,967,690
555	31,211	442,601	(110,648)	166,828
-	-	157,930	322,866	1,450,215
-	-	-	19,705	19,705
-	-	(441,260)	(165,626)	(1,826,880)
-	-	-	(705)	(705)
-0-	-0-	(283,330)	176,240	(357,665)
555	31,211	159,271	65,592	(190,837)
224,670	13,002	348,450	950,470	3,693,745
-	-	(313,287)	-	(324,195)
<u>\$ 225,225</u>	<u>\$ 44,213</u>	<u>\$ 194,434</u>	<u>\$ 1,016,062</u>	<u>\$ 3,178,713</u>

City of Greenville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (190,837)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,647,947	
Depreciation expense	<u>(709,465)</u>	
Excess of capital outlay over depreciation expense		1,938,482

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	96,487	
Depreciation expense of Internal Service Funds included in the total above	<u>29,721</u>	
		126,208

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in deferred revenue		(46,376)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		124,587
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,267	
Decrease in accrued compensated absences	<u>20,190</u>	
		<u>21,457</u>

Change in net assets of governmental activities		<u><u>\$ 1,973,521</u></u>
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See accompanying notes to financial statements.

City of Greenville

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2004

	Business-type Activities		Nonmajor Enterprise Funds
	Sewer	Water	
ASSETS			
Current assets			
Cash and cash equivalents	\$ (27,884)	\$ 787,875	\$ 11,313
Investments	-	-	-
Accounts receivable	246,981	151,582	-
Accrued interest receivable	4,313	-	-
Due from other funds	-	52,515	-
Due from State	-	-	9,352
Inventories	-	43,090	-
Deposits	750	-	-
Total current assets	224,160	1,035,062	20,665
Noncurrent assets			
Cash - restricted	338,057	-	-
Investments	1,109,206	-	-
Capital assets, net of accumulated depreciation	6,557,827	2,518,361	963,761
Total noncurrent assets	8,005,090	2,518,361	963,761
TOTAL ASSETS	8,229,250	3,553,423	984,426
LIABILITIES			
Current liabilities			
Accounts payable	515	32,419	7,304
Accrued liabilities	14,119	4,563	7,662
Deferred revenue	-	-	14,466
Current portion - compensated absences	-	-	-
Current portion - revenue bonds payable	95,000	-	-
Total current liabilities	109,634	36,982	29,432
Noncurrent liabilities			
Noncurrent portion - compensated absences	-	-	-
Noncurrent portion - revenue bonds payable	735,000	-	-
Total noncurrent liabilities	735,000	-0-	-0-
TOTAL LIABILITIES	844,634	36,982	29,432
NET ASSETS			
Invested in capital assets, net of related debt	5,727,827	2,518,361	963,761
Restricted for debt service	332,463	-	-
Unrestricted	1,324,326	998,080	(8,767)
TOTAL NET ASSETS	\$ 7,384,616	\$ 3,516,441	\$ 954,994

See accompanying notes to financial statements.

		Governmental Activities
		Internal Service Funds
Total		
\$ 771,304	\$ 735,727	
-0-	370,445	
398,563	7,980	
4,313	7,122	
52,515	-	
9,352	-	
43,090	-	
750	-	
1,279,887	1,121,274	
338,057	-	
1,109,206	396,811	
10,039,949	232,855	
11,487,212	629,666	
12,767,099	1,750,940	
40,238	5,285	
26,344	1,254	
14,466	-	
-0-	117,833	
95,000	-	
176,048	124,372	
-0-	389,042	
735,000	-	
735,000	389,042	
911,048	513,414	
9,209,949	232,855	
332,463	-	
2,313,639	1,004,671	
\$ 11,856,051	\$ 1,237,526	

City of Greenville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2004

	Business-type Activities		
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 922,526	\$ 633,157	\$ 233,207
Other	-	-	-
TOTAL OPERATING REVENUES	922,526	633,157	233,207
OPERATING EXPENSES			
Salaries and wages	292,008	194,940	358,213
Benefits	-	-	-
Chemicals	35,622	-	-
Supplies	19,886	50,658	78,171
Contracted services	40,509	41,799	18,618
Telephone	1,875	3,703	5,404
Utilities	58,048	68,044	3,837
Equipment rental	46,657	51,021	16,186
Repairs and maintenance	39,703	3,671	-
Travel and conference	994	2,020	1,397
Dues and subscriptions	-	-	2,403
Community center rental	-	-	5,234
Sponsor related activities	-	-	13,979
Depreciation	204,962	82,278	122,138
Other	354	18,456	8,877
TOTAL OPERATING EXPENSES	740,618	516,590	634,457
OPERATING INCOME (LOSS)	181,908	116,567	(401,250)
NONOPERATING REVENUES (EXPENSES)			
Taxes	-	-	45,962
Special assessments	-	-	11,154
Intergovernmental			
Federal/State	-	-	338,155
Local	26,771	26,351	9,000
Private contributions	-	-	1,500
Interest earned	733	3,434	-
Loss on investments	-	-	-
Interest and fiscal charges	(51,019)	-	-
TOTAL NONOPERATING REVENUES	(23,515)	29,785	405,771
INCOME (LOSS) BEFORE TRANSFERS	158,393	146,352	4,521

	Governmental Activities
Total	Internal Service Funds
<u>\$ 1,788,890</u>	<u>\$ 431,099</u>
<u>-0-</u>	<u>109,588</u>
1,788,890	540,687
845,161	68,683
-0-	803,625
35,622	-
148,715	63,233
100,926	-
10,982	-
129,929	17,361
113,864	-
43,374	100,614
4,411	-
2,403	-
5,234	-
13,979	-
409,378	29,721
<u>27,687</u>	<u>-</u>
<u>1,891,665</u>	<u>1,083,237</u>
(102,775)	(542,550)
45,962	-
11,154	-
338,155	-
62,122	-
1,500	-
4,167	13,954
-0-	(4,910)
<u>(51,019)</u>	<u>-</u>
<u>412,041</u>	<u>9,044</u>
309,266	(533,506)

City of Greenville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - CONTINUED

Year Ended June 30, 2004

	Business-type Activities		
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds
OPERATING TRANSFERS IN (OUT)			
Operating transfers in	\$ 27,404	\$ 245,526	\$ 135,550
Operating transfers out	<u>(248,247)</u>	<u>(146,895)</u>	<u>(137,483)</u>
TOTAL TRANSFERS IN (OUT)	<u>(220,843)</u>	<u>98,631</u>	<u>(1,933)</u>
CHANGE IN NET ASSETS	(62,450)	244,983	2,588
Net assets, beginning of year	7,559,525	3,995,401	1,068,725
Prior period adjustments	<u>(112,459)</u>	<u>(723,943)</u>	<u>(116,319)</u>
Net assets, end of year	<u><u>\$ 7,384,616</u></u>	<u><u>\$ 3,516,441</u></u>	<u><u>\$ 954,994</u></u>

See accompanying notes to financial statements.

	Governmental Activities
	Internal Service Funds
Total	
\$ 408,480	\$ 761,750
(532,625)	(131,757)
(124,145)	629,993
185,121	96,487
12,623,651	1,353,711
(952,721)	(212,672)
<u>\$ 11,856,051</u>	<u>\$ 1,237,526</u>

City of Greenville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Business-type Activities		
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 972,877	\$ 645,236	\$ 223,940
Cash paid to employees	(452,030)	(177,501)	(356,912)
Cash paid to vendors	(244,225)	(239,372)	(150,177)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	276,622	228,363	(283,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Taxes	-	-	45,962
Special assessments	-	-	11,154
Intergovernmental			
Federal/state	-	-	338,155
Local	26,771	26,351	9,000
Private contributions	-	-	1,500
Operating transfers in	27,404	245,526	135,550
Operating transfers out	(248,247)	(146,895)	(137,483)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(194,072)	124,982	403,838
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(52,601)	(336,513)	(180,876)
Principal paid on bonds	(90,000)	-	-
Interest and fiscal charges paid	(51,019)	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(193,620)	(336,513)	(180,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	733	3,434	-
Loss on investments	-	-	-
Maturity of investments	166,341	-	-
Purchase of investments	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	167,074	3,434	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,004	20,266	(60,187)
Cash and cash equivalents, beginning of year	254,169	767,609	71,500
Cash and cash equivalents, end of year	<u>\$ 310,173</u>	<u>\$ 787,875</u>	<u>\$ 11,313</u>

	Governmental Activities
Total	Internal Service Funds
\$ 1,842,053	\$ 542,129
(986,443)	(892,182)
(633,774)	(182,805)
221,836	(532,858)
45,962	-
11,154	-
338,155	-
62,122	-
1,500	-
408,480	761,750
(532,625)	(131,757)
334,748	629,993
(569,990)	(115,390)
(90,000)	-
(51,019)	-
(711,009)	(115,390)
4,167	13,864
-0-	(7,029)
166,341	223,273
-0-	(388,221)
170,508	(158,113)
16,083	(176,368)
1,093,278	912,095
\$ 1,109,361	\$ 735,727

City of Greenville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2004

	Business-type Activities		
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 181,908	\$ 116,567	\$ (401,250)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	204,962	82,278	122,138
(Increase) decrease in receivables	54,664	(9,960)	(9,267)
(Increase) in accrued interest receivable	(4,313)	-	-
(Increase) in inventories	-	(399)	-
Decrease in due from other funds	-	22,438	-
Increase (decrease) in accounts payable	(577)	16,392	4,355
Increase (decrease) in accrued liabilities	2,424	1,047	1,301
(Decrease) in due to other funds	(162,446)	-	-
(Decrease) in deferred revenue	-	-	(426)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 276,622</u>	<u>\$ 228,363</u>	<u>\$ (283,149)</u>

See accompanying notes to financial statements.

	Governmental Activities
	Internal Service Funds
<u>Total</u>	
\$ (102,775)	\$ (542,550)
409,378	29,721
35,437	1,442
(4,313)	
(399)	-
22,438	-
20,170	(1,615)
4,772	(19,856)
(162,446)	-
(426)	-
<u>\$ 221,836</u>	<u>\$ (532,858)</u>

City of Greenville

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2004

	Agency Funds	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 1,616,959	\$ 2,143
Due from other funds	37,920	-
TOTAL ASSETS	<u>\$ 1,654,879</u>	<u>2,143</u>
LIABILITIES		
Due to other funds	\$ 3,859	-
Due to component units	388,362	-
Due to other governmental units	1,247,908	-
Due to individuals and agencies	14,750	-
TOTAL LIABILITIES	<u>\$ 1,654,879</u>	<u>-0-</u>
NET ASSETS		
Held in trust for private purposes		<u>\$ 2,143</u>

See accompanying notes to financial statements.

City of Greenville

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2004

	Private Purpose Trust Fund
ADDITIONS	
Interest earned	\$ 23
DEDUCTIONS	
	<u>-0-</u>
CHANGE IN NET ASSETS	23
Net assets, beginning of year	<u>2,120</u>
Net assets, end of year	<u><u>\$ 2,143</u></u>

See accompanying notes to financial statements.

City of Greenville

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Downtown Development Authority	Tax Increment Finance Authority	Local Development Finance Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 145,781	\$ 119,724	\$ (109,642)
Due from primary government	-	-	-
Due from fiduciary funds	-	125,054	263,308
Due from State	174,968	-	-
Total current assets	320,749	244,778	153,666
Noncurrent assets			
Capital assets, net of accumulated depreciation	6,178,837	-	-
TOTAL ASSETS	6,499,586	244,778	153,666
LIABILITIES			
Current liabilities			
Accounts payable	646	-	-
Accrued interest payable	54,724	-	4,754
Due to primary government	8,310	-	-
Current portion of long-term debt	110,000	-	132,680
Total current liabilities	173,680	-0-	137,434
Noncurrent liabilities			
Noncurrent portion of long-term debt	4,545,000	-	1,339,770
TOTAL LIABILITIES	4,718,680	-0-	1,477,204
NET ASSETS			
Invested in capital assets, net of related debt	1,523,837	-	-
Unrestricted	257,069	244,778	(1,323,538)
TOTAL NET ASSETS	\$ 1,780,906	\$ 244,778	\$ (1,323,538)

See accompanying notes to financial statements.

Economic Development Corporation	Total Component Units
\$ -	\$ 155,863
1,147	1,147
-	388,362
-	174,968
1,147	720,340
-	6,178,837
1,147	6,899,177
-	646
-	59,478
-	8,310
-	242,680
-0-	311,114
-	5,884,770
-0-	6,195,884
-	1,523,837
1,147	(820,544)
<u>\$ 1,147</u>	<u>\$ 703,293</u>

City of Greenville
Component Unit Funds
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental activities			
Downtown Development Authority	\$ 471,220	\$ 11,880	\$ (459,340)
Tax Increment Finance Authority	95,000	-	(95,000)
Local Development Finance Authority	75,005	-	(75,005)
TOTALS	<u>\$ 641,225</u>	<u>\$ 11,880</u>	(629,345)
General revenues			
Property taxes			728,797
Investment earnings			3,132
Miscellaneous			<u>313</u>
Total general revenues			<u>732,242</u>
Change in net assets			102,897
Net assets, beginning of year			<u>600,396</u>
Net assets, end of year			<u>\$ 703,293</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Greenville is located in Montcalm County, Michigan and was incorporated in 1844. The City of Greenville operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, public safety, highways and streets, human services, culture and recreation, public improvements, planning and zoning, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the City Manager, Clerk/Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of Greenville (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The inclusion of the activities of various agencies is based on the financial accountability of the primary government, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management's, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the basic financial statements of the City of Greenville contain all the funds controlled by the City Council other than the Greenville Housing Commission fund.

The Greenville Housing Commission is a component unit that was established by City Council to provide low rent housing. The financial activity has not been included as part of the City's financial statements because audited information is not available in a timely manner. The following summarized information is provided in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement No. 5.

The most recent audited financial statements for the Greenville Housing Commission are for the year ended June 30, 2003. Total assets, liabilities, and equity as of June 30, 2003, were \$3,599,519, \$1,220,173, and \$2,379,346, respectively. Total revenues, expenses, and net decrease in equity were \$1,267,743, \$1,331,742, and \$63,999, respectively.

2. Blended Component Unit

The Building Authority has been included as part of the City's financial statements since the City appoints the governing authority, designates management and has significant influence over the operations of the Building Authority.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Blended Component Unit - continued

The financial statements of the City of Greenville Building Authority do not contain any financial information, therefore, no financial data has been presented in the City's financial statements.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City is such that exclusion of these entities would render the financial statements misleading or incomplete.

- a. Downtown Development Authority - A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.
- b. Economic Development Corporation - A majority of the members of the governing board of the Economic Development Corporation are appointed by the City Council. The City also has the ability to significantly influence operations of the Economic Development Corporation.
- c. Tax Increment Finance Authority - A majority of the members of the governing board of the Tax Increment Finance Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Finance Authority.
- d. Local Development Finance Authority - The members of the governing board of the Local Development Finance Authority are appointed by the Mayor of the City. The budget and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund accounts for resources legally restricted to expenditures for the purpose of maintaining city streets.
- c. The Solid Waste Operations Fund accounts for the operations required to provide garbage services to the general public.
- d. The Development and Rehabilitation Fund is used to account for the resources associated with the development and rehabilitation of downtown businesses.
- e. The Special Assessment Fund accounts for resources in association with collecting special assessment taxes.
- e. The Capital Improvement Fund accounts for resources which have the purpose of making capital improvements to the City.
- f. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- g. The Water Fund is used to account for the operations required to providing water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required supplementary information were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to June 30, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted with passage of a budget ordinance.
- d. The budget is legally adopted at the activity level for the General and Special Revenue Funds. The City Manager has authority to approve line-item transfers within the activity/department, but any amendments that affect activity/department totals must be approved by the City Council.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budget appropriations for operations lapse at year end. Budget appropriations for continuing projects are incorporated in the budget of the ensuing year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- g. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments consist of U.S. Government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All U.S. Government securities are stated at fair value and all certificates of deposit are stated at cost, which approximates fair value.

9. Restricted Cash

Restricted cash for the primary government consists of amounts to be used to fund Sewer System bond retirement.

10. Property Tax

The City of Greenville bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Greenville on July 1 and December 1 and are payable without penalty through August 31 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments, and school taxes. The December 1 levy is composed of County and School taxes. All real property taxes not paid to the City by March 1 are turned over to the Montcalm County Treasurer for collection. The Montcalm County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 13.2351 mills (\$13.2351 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses. For the year ended June 30, 2004, the City levied 9.04 mills per \$1,000 of assessed valuation for general governmental services. In addition, the City levied .9073 mills for garbage collection, 1.0 mills for improvements in the Downtown Development Authority, .60 mills for Land and Street Operations, 2.17 mills for capital improvements, and .25 mills for Dial-A-Ride services. The total Taxable Value for the 2003 levy for property within the City was \$194,211,349.

11. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Motor Pool) records changes for equipment rental to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**12. Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service. Vacation must be used by December 31 or it is forfeited. Employees can accumulate up to 120 sick days. Accumulations in excess of that amount are paid at 50% of the unused portion as of December 31 at the employee's pay rate. Upon termination, employees are paid on a prorated basis for unused vacation of that year at their current rates. Upon termination of employment after 10 years of service, or upon retirement or death of an employee, payments will be for 50% of accumulated sick leave for non-union employees and for 100% of accumulated sick leave for union employees who started before July 1, 1997.

The cost of vested accumulated vacation and sick leave along with the related payroll taxes is recorded in an Internal Service Fund and in the government-wide financial statements.

13. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Prior to July 1, 2003, capital assets were considered to be all applicable assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Effective July 1, 2003, capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer and Water systems and improvements	10 - 50 years
Equipment and machinery	5 - 20 years
Land improvements	5 - 10 years
Buildings	20 - 50 years
Office furniture and equipment	3 - 10 years
Infrastructure	20 years

14. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Enterprise Funds consist of operating materials and supplies, which are stated at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the City for grant and local programs. The total amount of \$437,633 due from other governmental units relates to grant and local programs.

17. Deferred Revenue

Deferred revenue recorded in the General Fund and Solid Waste Operations Fund consists of amounts related to accounts receivable in future periods. Deferred revenue recorded in the Development and Rehabilitation Fund consists of amounts related to loans receivable for future periods. Deferred revenue recorded in the Special Assessment Fund consists of amounts related to special assessments receivable in future periods. None of these amounts are deferred in the government-wide financial statements.

18. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the City at year-end.

19. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

20. Accounting Change

As of July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$22,568,185, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the City's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$1,847,728, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The City utilizes pooled cash accounts for approximately thirty funds. Cash overdrafts of individual funds as of June 30, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(1,094,850)	\$ 168,863	\$(925,987)
Special Revenue Fund			
Community Center Fund	(48,479)	51,787	3,308
Enterprise Funds			
Sewer Fund	(218,571)	190,687	(27,884)
Dial-A-Ride Fund	(32,466)	-	(32,466)
Internal Service Fund			
Health, Life, Dental and Vision Insurance	<u>(288,531)</u>	<u>319,564</u>	<u>31,033</u>
Total Primary Government	(1,682,897)	730,901	(951,996)
COMPONENT UNITS			
Local Development Authority	<u>(148,017)</u>	<u>38,375</u>	<u>(109,642)</u>
TOTAL REPORTING ENTITY	<u>\$(1,830,914)</u>	<u>\$ 769,276</u>	<u>\$(1,061,638)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes various pooled cash accounts and investments for approximately 30 funds. The City's pooled cash accounts consist of a common checking account, savings accounts, certificates of deposit, and investment trust funds.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Permanent Fund, Enterprise Funds, Internal Service Funds, Fiduciary Funds, and the Component Unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net assets.

The other funds of the City utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are held separately by several of the City's funds.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of June 30, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,608,913	\$ 2,014,176
Savings and certificates of deposit	<u>1,984,955</u>	<u>1,984,563</u>
Total primary government	3,593,868	3,998,739
COMPONENT UNITS		
Checking	103,889	103,889
Savings and certificates of deposit	<u>51,974</u>	<u>51,974</u>
Total component units	155,863	155,863
FIDUCIARY FUNDS		
Checking	1,560,121	1,560,121
Savings and certificates of deposit	<u>58,981</u>	<u>58,981</u>
Total fiduciary funds	<u>1,619,102</u>	<u>1,619,102</u>
TOTAL REPORTING ENTITY	<u>\$ 5,368,833</u>	<u>\$ 5,773,704</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2004 the primary government, component unit, and fiduciary accounts were insured by the FDIC or FSLIC for \$745,196 and the amount of \$5,028,508 was uninsured and uncollateralized.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of June 30, 2004 the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
Insured or registered for which the securities are held by the City's agent in the City's name -		
U.S. Government Securities	\$ 1,975,828	\$ 1,975,828
Federal Home Loan Mortgage	<u>439,299</u>	<u>439,299</u>
	2,415,127	2,415,127
Uncategorized pooled investment funds	<u>613,466</u>	<u>613,466</u>
	<u>\$ 3,028,593</u>	<u>\$ 3,028,593</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,585,986	\$ 155,863	\$ 1,619,102	\$ 4,360,951
Cash and cash equivalents - restricted	338,057	-	-	338,057
Investments - current	2,193,021	-	-	2,193,021
Investments - noncurrent	<u>1,506,017</u>	<u>-</u>	<u>-</u>	<u>1,506,017</u>
	<u>\$ 6,623,081</u>	<u>\$ 155,863</u>	<u>\$ 1,619,102</u>	<u>\$ 8,398,046</u>

The primary government cash and cash equivalents captions listed above included \$620 of imprest cash.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2004:

Due to General Fund from:	
Fiduciary funds	\$ 3,859
Nonmajor governmental funds	<u>1,154</u>
	5,013
Due to Special Assessment Fund from:	
Component units	8,310
Due to Water Fund from:	
Capital Improvement fund	52,515
Due to fiduciary funds from:	
General fund	<u>37,920</u>
Total interfund receivable and payables	<u>\$ 103,758</u>

The following schedule details interfund receivables and payables related to the component units at June 30, 2004:

Due to component units from:	
General fund	\$ 1,147
Fiduciary funds	<u>388,362</u>
	<u>\$ 389,509</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of June 30, 2004.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Major Street Fund	\$ 91,171
Solid Waste Operations Fund	52,961
Capital Improvements Fund	25,680
Sewer Fund	240,412
Water Fund	142,895
Internal Service funds	130,457
Nonmajor governmental funds	151,160
Nonmajor enterprise funds	<u>134,683</u>
Total transfers to General Fund	969,419

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE E: INTERFUND TRANSFERS - CONTINUED

Transfers to Capital Improvements Fund from:	
Major Street Fund	\$ 18,746
Sewer Fund	25,197
Water Fund	103,986
Nonmajor governmental funds	<u>10,000</u>
Total transfers to Capital Improvements Fund	157,929
Transfers to nonmajor governmental funds from:	
General Fund	147,766
Major Street Fund	115,000
Capital Improvements Fund	<u>60,100</u>
Total transfer to nonmajor governmental funds	322,766
Transfer to Sewer Fund from:	
Capital Improvements Fund	27,404
Transfers to Water Fund from:	
General Fund	13,000
Capital Improvements Fund	<u>232,526</u>
Total transfers to Water Fund	245,526
Transfers to nonmajor enterprise funds from:	
General Fund	135,550
Transfers to internal service funds from:	
General Fund	644,000
Major Street Fund	1,250
Solid Waste Operations Fund	550
Capital Improvements Fund	95,550
Sewer Fund	7,834
Water Fund	4,000
Internal service funds	1,300
Nonmajor governmental funds	4,466
Nonmajor enterprise funds	<u>2,800</u>
Total transfers to internal service funds	<u>761,750</u>
Total interfund transfers	<u>\$ 2,620,444</u>

Transfers to the Capital Improvements Fund from the Sewer Fund and Water Fund are recorded in the Sewer Fund and Water Fund as additions to capital assets. For the year ended June 30, 2004 these transfers amounted to \$129,183.

NOTE F: LONG TERM LOANS RECEIVABLE

The City had one (1) loan receivable with a business that was made through the Development and Rehabilitation (Special Revenue) Fund. Total long-term loans receivable of \$340,628 has been recorded in the Development and Rehabilitation Fund and loans receivable and deferred revenue.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Governmental activities				
Land (not depreciated)	\$ 2,330,609	\$ -	\$ -	\$ 2,330,609
Land improvements	2,623,978	-	-	2,623,978
Infrastructure				
Right of way (not depreciated)	5,691,644	-	-	5,691,644
City streets	4,287,897	2,454,855	-	6,742,752
Curbs	1,038,872	-	-	1,038,872
Sidewalks	6,204,401	-	-	6,204,401
Buildings	2,781,901	-	-	2,781,901
Inland marine	1,276,222	-	-	1,276,222
Furniture and equipment	380,741	77,702	-	458,443
Vehicles	2,255,079	115,390	-	2,370,469
Other	<u>360,447</u>	<u>-</u>	<u>-</u>	<u>360,447</u>
Totals at historical cost	29,231,791	2,647,947	-0-	31,879,738
Less accumulated depreciation for:				
Land improvements	(879,231)	(112,280)	-	(991,511)
Infrastructure	(6,238,608)	(391,160)	-	(6,629,768)
Buildings	(1,168,322)	(67,798)	-	(1,236,120)
Inland marine	(1,110,916)	(25,747)	-	(1,136,663)
Furniture and equipment	(304,380)	(28,669)	-	(333,049)
Vehicles	(2,026,622)	(53,505)	-	(2,080,127)
Other	<u>(175,852)</u>	<u>(30,306)</u>	<u>-</u>	<u>(206,158)</u>
Total accumulated depreciation	<u>(11,903,931)</u>	<u>(709,465)</u>	<u>-0-</u>	<u>(12,613,396)</u>
Capital assets, net	<u>\$17,327,860</u>	<u>\$ 1,938,482</u>	<u>\$ -0-</u>	<u>\$19,266,342</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 70,947
Public safety	166,724
Public works	354,732
Recreation and cultural	<u>117,062</u>
Total depreciation expense	<u>\$ 709,465</u>

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities				
(Sewer system)				
Sanitary sewer lines	\$ 1,275,480	\$ 27,404	\$ -	\$ 1,302,884
Lift stations	106,000	-	-	106,000
Storm sewers	4,111,214	-	-	4,111,214
Buildings	4,604,042	-	-	4,604,042
Inland marine	13,795	-	-	13,795
Construction in progress (not depreciated)	-	25,197	-	25,197
Furniture and equipment	76,539	-	-	76,539
Land improvements	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
Totals at historical cost	10,189,870	52,601	-0-	10,242,471
Less accumulated depreciation for:				
Sanitary sewer lines	(518,063)	(23,935)	-	(541,998)
Lift stations	(106,000)	-	-	(106,000)
Storm sewers	(1,322,607)	(74,812)	-	(1,397,419)
Buildings	(1,461,031)	(100,174)	-	(1,561,205)
Inland marine	(5,518)	(1,380)	-	(6,898)
Furniture and equipment	(64,643)	(4,521)	-	(69,164)
Land improvements	<u>(1,820)</u>	<u>(140)</u>	<u>-</u>	<u>(1,960)</u>
Total accumulated depreciation	<u>(3,479,682)</u>	<u>(204,962)</u>	<u>-0-</u>	<u>(3,684,644)</u>
Capital assets, net	<u>\$ 6,710,188</u>	<u>\$(152,361)</u>	<u>\$ -0-</u>	<u>\$ 6,557,827</u>
Business-type activities				
(Water system)				
Water mains	\$ 2,655,082	\$ 232,527	\$ -	\$ 2,887,609
Buildings	525,998	-	-	525,998
Inland marine	49,929	-	-	49,929
Construction in progress (not depreciated)	-	103,896	-	103,896
Furnishings	173,147	-	-	173,147
Water tower	<u>828,864</u>	<u>-</u>	<u>-</u>	<u>828,864</u>
Totals at historical cost	4,233,020	336,423	-0-	4,569,443
Less accumulated depreciation for:				
Water mains	(1,184,709)	(50,474)	-	(1,235,183)
Buildings	(295,150)	(9,324)	-	(304,474)
Inland marine	(14,979)	(4,993)	-	(19,972)
Furnishings	(170,447)	(540)	-	(170,987)
Water tower	<u>(303,519)</u>	<u>(16,947)</u>	<u>-</u>	<u>(320,466)</u>
Total accumulated depreciation	<u>(1,968,804)</u>	<u>(82,278)</u>	<u>-0-</u>	<u>(2,051,082)</u>
Capital assets, net	<u>\$ 2,264,216</u>	<u>\$ 254,145</u>	<u>\$ -0-</u>	<u>\$ 2,518,361</u>

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities (Parking system)				
Land (not depreciated)	\$ 387,063	\$ -	\$ -	\$ 387,063
Land improvements	<u>760,301</u>	<u>-</u>	<u>-</u>	<u>760,301</u>
Totals at historical cost	1,147,367	-0-	-0-	1,147,367
Less accumulated depreciation for:				
Land improvements	<u>(438,047)</u>	<u>(30,494)</u>	<u>-</u>	<u>(468,541)</u>
Capital assets, net	<u>\$ 709,320</u>	<u>\$ (30,494)</u>	<u>\$ -0-</u>	<u>\$ 678,826</u>
Business-type activities (Dial-A-Ride)				
Buildings	\$ 108,960	\$ -	\$ -	\$ 108,960
Furniture and equipment	42,397	-	-	42,397
Vehicles	<u>607,917</u>	<u>180,876</u>	<u>-</u>	<u>788,793</u>
Totals at historical cost	759,274	180,876	-0-	940,150
Less accumulated depreciation for:				
Buildings	(45,158)	(2,644)	-	(47,802)
Furniture and equipment	(36,743)	(2,784)	-	(39,527)
Vehicles	<u>(481,670)</u>	<u>(86,216)</u>	<u>-</u>	<u>(567,886)</u>
Total accumulated depreciation	<u>(563,571)</u>	<u>(91,644)</u>	<u>-0-</u>	<u>(655,215)</u>
Capital assets, net	<u>\$ 195,703</u>	<u>\$ 89,232</u>	<u>\$ -0-</u>	<u>\$ 284,935</u>
Component Unit (DDA)				
Construction in progress (not depreciated)	\$ 6,053,462	\$ 203,588	\$(6,257,050)	\$ -0-
Streetscape improvements	<u>-</u>	<u>6,257,050</u>	<u>-</u>	<u>6,257,050</u>
Total at historical cost	6,053,462	6,460,638	(6,257,050)	6,257,050
Less accumulated depreciation for:				
Streetscape improvements	<u>-</u>	<u>(78,213)</u>	<u>-</u>	<u>(78,213)</u>
Capital assets, net	<u>\$ 6,053,462</u>	<u>\$ 6,382,425</u>	<u>\$(6,257,050)</u>	<u>\$ 6,178,837</u>

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2004:

	Restated Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
1995 G.O. Bonds	\$ 80,000	\$ -	\$ 40,000	\$ 40,000	\$ 40,000
2000 G.O. Bonds	200,000	-	25,000	175,000	25,000
2000 Special Assessment Bonds	360,000	-	50,000	310,000	50,000
Contract Payable -					
1998 Michigan Aeronautics	65,055	-	9,587	55,468	10,069
Accrued compensated absences	<u>527,065</u>	<u>-</u>	<u>20,190</u>	<u>506,875</u>	<u>117,833</u>
	1,232,120	-0-	144,777	1,087,343	242,902
Business-type Activities					
1993 Wastewater Treatment Bonds	250,000	-	40,000	210,000	40,000
1995 Wastewater Plant Improvement Bonds	260,000	-	15,000	245,000	15,000
1997 Wastewater Treatment Bonds	<u>410,000</u>	<u>-</u>	<u>35,000</u>	<u>375,000</u>	<u>40,000</u>
	<u>920,000</u>	<u>-0-</u>	<u>90,000</u>	<u>830,000</u>	<u>95,000</u>
TOTAL PRIMARY GOVERNMENT	2,152,120	-0-	234,777	1,917,343	337,902
COMPONENT UNITS					
Local Development Finance Authority					
1994 Tax Increment Development Bonds	445,000	-	55,000	390,000	65,000
Loan Payable	<u>1,147,413</u>	<u>-</u>	<u>64,963</u>	<u>1,082,450</u>	<u>67,680</u>
	1,592,413	-0-	119,963	1,472,450	132,680
Downtown Development Authority					
2002 G.O. Bonds	<u>4,715,000</u>	<u>-</u>	<u>60,000</u>	<u>4,655,000</u>	<u>110,000</u>
TOTAL COMPONENT UNITS	<u>6,307,413</u>	<u>-0-</u>	<u>179,963</u>	<u>6,127,450</u>	<u>242,680</u>
TOTAL REPORTING ENTITY	<u>\$ 8,459,533</u>	<u>\$ -0-</u>	<u>\$ 414,740</u>	<u>\$ 8,044,793</u>	<u>\$ 580,582</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$300,000 1995 County of Montcalm, City of Greenville General Obligation Limited Tax Bonds, Series 1995, dated April 1, 1995, due in an annual installment of \$40,000 through April 1, 2005, with interest of 5.1 percent, payable semi-annually. \$ 40,000

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

General Obligation Bonds - continued

\$250,000 2000 County of Montcalm, City of Greenville General Obligation Limited Tax Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$25,000 to \$35,000 through September 1, 2009, with interest ranging from 4.80 to 5.15 percent, payable semi-annually.	\$ 175,000
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Special Assessment Limited Tax Bonds Payable

\$455,000 2000 Special Assessment Limited Tax Bonds dated August 1, 2000, due in annual installments ranging from \$45,000 to \$60,000 through September 1, 2009, with interest ranging from 4.80 to 5.15 percent, payable semi-annually.	310,000
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Contract Payable

\$100,000 1998 Michigan Aeronautics Commission contract payable, dated December 22, 1998, due in annual installments of \$12,762 through December 22, 2008, with interest at 4.7 percent, payable annually.	55,468
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Revenue Bonds

\$500,000 1993 County of Montcalm, City of Greenville Wastewater Treatment System Revenue Bonds, dated April 6, 1993, due in annual installments ranging from \$40,000 to \$60,000, through May 1, 2008, with interest of 6.10 percent, payable semi-annually.	210,000
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\$350,000 1995 County of Montcalm, City of Greenville Wastewater Treatment Plant Revenue Bonds, Series 1995A dated April 1, 1995, due in annual installments ranging from \$15,000 to \$30,000 through April 1, 2015, with interest ranging from 5.1 to 6.0 percent, payable semi-annually.	245,000
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\$600,000 1997 County of Montcalm, City of Greenville Wastewater Treatment Plant Revenue Bonds dated December 1, 1997, due in annual installments ranging from \$35,000 to \$55,000 through July 1, 2012, with interest ranging from 4.85 to 5.25 percent, payable semi-annually.	375,000
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TOTAL PRIMARY GOVERNMENT	1,410,468
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COMPONENT UNITS

Loans Payable

\$1,240,000 bank promissory note, dated, June 29, 2001, due in semi-annual payments ranging from \$55,900 to \$963,804 through July 11, 2006, with interest at 4.14 percent for the purchase of land, issued in accordance with Public Act 99 of 1933.	1,082,450
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City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONTINUED

Bonds Payable

\$700,000 1994 Tax Increment Development Bonds dated June 2, 1994, due in annual installments ranging from \$65,000 to \$95,000 through May 1, 2009, with interest ranging from 6.15 to 6.35 percent, payable semi-annually. \$ 390,000

\$4,750,000 2002 General Obligation Bonds dated April 1, 2002, due in annual installments ranging from \$110,000 to \$395,000 through April 1, 2022, with interest ranging from 4.50 to 4.75 percent, payable semi-annually. 4,655,000

TOTAL COMPONENT UNITS 6,127,450

TOTAL REPORTING ENTITY \$ 7,537,918

Accumulated Vacation and Sick

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave. The dollar amount of these vested rights including related payroll taxes, which have been accrued in the Internal Service Fund, amounted to \$506,875 at June 30, 2004.

Annual requirements to pay debt principal and interest outstanding are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Revenue Bonds</u>		<u>Contract Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>	<u>Interest</u>
2005	\$ 65,000	\$ 10,213	\$ 50,000	\$ 14,065	\$ 95,000	\$ 44,745	\$ 10,069	\$ 2,693
2006	25,000	6,960	50,000	11,640	105,000	39,570	10,629	2,134
2007	30,000	5,597	50,000	9,290	125,000	33,625	11,128	1,634
2008	30,000	4,090	50,000	6,903	125,000	26,644	11,651	1,111
2009	30,000	2,568	50,000	4,365	65,000	19,620	11,991	565
2010-2014	35,000	901	60,000	1,545	285,000	43,797	-	-
2015-2019	-	-	-	-	30,000	1,800	-	-
	<u>\$ 215,000</u>	<u>\$ 30,329</u>	<u>\$ 310,000</u>	<u>\$ 47,808</u>	<u>\$ 830,000</u>	<u>\$ 209,801</u>	<u>\$ 55,468</u>	<u>\$ 8,137</u>

Component Units

Year Ending June 30,	<u>Tax Increment Development Bonds</u>		<u>General Obligation Bonds</u>		<u>Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 65,000	\$ 24,413	\$ 110,000	\$ 218,895	\$ 67,680	\$ 44,120
2006	70,000	20,415	120,000	213,945	70,511	41,289
2007	75,000	16,075	160,000	208,545	944,259	19,546
2008	85,000	11,388	200,000	201,345	-	-
2009	95,000	6,032	210,000	191,945	-	-
2010-2014	-	-	1,205,000	802,275	-	-
2015-2019	-	-	1,525,000	490,740	-	-
2020-2022	-	-	1,125,000	108,776	-	-
	<u>\$ 390,000</u>	<u>\$ 78,323</u>	<u>\$4,655,000</u>	<u>\$2,436,466</u>	<u>\$1,082,450</u>	<u>\$ 104,955</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT PLAN - CITY (EXCEPT CERTAIN PUBLIC SAFETY EMPLOYEES)

Plan Description

The City provides pension benefits for substantially all employees except public safety employees working more than 1,000 hours per year through a defined contribution plan, which was established by City Council and may be amended from time to time by Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of employment. The City contributes .5% of each participant's base salary to the plan. The City will then match employee contributions 1.5 to 1 up to a maximum employee contribution of 4% of their wages. The City's contributions are vested at a rate of 40% after four (4) years of service and an additional 10% per year for each year thereafter with full vesting after ten years of continuous service. City contributions and interest forfeited by employees who leave the plan and are not fully vested are reallocated among remaining participants.

The City's total applicable (excluding public safety employees covered under other retirement plan) payroll for the year ending June 30, 2004 was \$2,385,957. The City's applicable covered payroll was \$1,980,589. The City's contribution was \$110,186.

RETIREMENT PLAN - CERTAIN PUBLIC SAFETY EMPLOYEES

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers certain eligible public safety employees of the City (i.e., working more than 1000 hours per year). The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires a 3-5 percent contribution from the employees. The City is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended June 30, 2004, the City's annual pension cost of \$54,425 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ten (10) years.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 2,643,802	\$ 2,630,905	\$ 2,776,431
Actuarial accrued liability (AAL) (entry age)	2,758,491	2,935,275	3,348,302
Unfunded (overfunded) AAL	114,689	304,370	571,871
Funded ratio	96 %	90 %	83 %
Covered payroll	\$ 888,120	\$ 858,197	\$ 1,037,984
UAAL as a percentage of covered payroll	13 %	35%	55 %

	Year Ended June 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 16,607	\$ 16,915	\$ 54,425
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE J: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, liability, in-land marine, electronic data processing, crime and bonds, and boiler and machinery losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

The City carries commercial health insurance for the benefit of its employees. The City is self-funded for prescriptions and the portion of health benefits, dental, vision, unemployment and indemnity that exceed the coverage of the commercial insurance. The requirements of Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At June 30, 2004, there was no claims liability reported in the Health and Life Insurance Internal Service Fund.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the retained earnings, which the City has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2004:

Fund Balances

General Fund	
Reserved for inventories and prepaids	\$ 79,352
Debt Service Funds	
Special Assessment Fund	
Reserved for debt service	44,213
Capital Project Funds	
Capital Improvements Fund	
Reserved for capital improvements	194,434
Nonmajor governmental funds	
Reserved for capital improvements	299,403
Reserved for perpetual care	<u>202,659</u>
	<u>502,062</u>
	<u>\$ 820,061</u>

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2004:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Debt service	
Special Assessment	<u>\$ 33,696</u>
Other purposes	
Major Street	\$ 947,444
Local Street	425,105
Solid Waste Operations	412,923
Cemetery Perpetual Care	<u>202,659</u>
	<u>\$ 1,988,131</u>
Business-type activities	
Restricted for	
Debt service	
Sewer Fund	<u>\$ 332,463</u>

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE M: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for non-union retired employees. The City's non-union employees may become eligible for these benefits if they retire from the City at age 62. The benefit to the eligible retirees is \$4 per month for each year of service and will be indexed 5% per year. Eligible retirees will receive the benefit for 25 years.

The City established the Retiree Health Benefits fund with a transfer of \$150,000 from the General Fund during the year ended June 30, 2002. During the year ended June 30, 2003, an additional \$50,000 was transferred from the Health, Life, Dental and Vision Insurance Fund. The cost of retiree health benefits is recognized as an expense as the insurance premiums are paid. For the year ended June 30, 2004, there were no costs incurred.

NOTE N: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance or net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	June 30, <u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund			
Accounts payable	\$ -	\$ 3,624	To correct understated accounts payable
Revenues over (under) expenditures	-	(3,624)	
Fund balance - beginning	(3,624)	-	
Due from component units	-	8,536	To correct interfund activity
Revenues over (under) expenditures	-	8,536	
Fund balance - beginning	8,536	-	
Accounts receivable	-	(15,820)	To correct overstated accounts receivable
Revenues over (under) expenditures	-	(15,820)	
Fund balance - beginning	(15,820)	-	
Capital Improvements Fund			
Revenues over (under) expenditures	-	(313,287)	To reclassify streetscape activity to the DDA fund
Fund balance - beginning	(313,287)	-	
Internal Service Funds			
Motor Pool			
Capital assets, net	-	(212,672)	To correct overstated capital assets
Net income	-	(212,672)	
Net assets - beginning	(212,672)	-	
Enterprise Funds			
Sewer			
Capital assets, net	-	(112,458)	To correct overstated capital assets
Net income	-	(112,458)	
Net assets - beginning	(112,458)	-	

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE N: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	<u>2004</u>	June 30, <u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT - CONTINUED			
Enterprise Funds - continued			
Water			
Capital assets, net	\$ -	\$(723,943)	To correct overstated capital assets
Net income	-	(723,943)	
Net assets - beginning	(723,943)	-	
Dial-A-Ride			
Capital assets, net	-	(57,887)	To correct overstated capital assets
Net income	-	(57,887)	
Net assets - beginning	(57,887)	-	
Parking			
Capital assets, net	-	(58,432)	To correct overstated capital assets
Net income	-	(58,432)	
Net assets - beginning	(58,432)	-	
COMPONENT UNITS			
Downtown Development Authority			
Revenues over (under) expenditures	-	307,259	To reclassify streetscape activity from the Capital Improvements Fund
Fund balance - beginning	307,259	-	
Due from other governmental units			
Revenues over (under) expenditures	-	154,784	To correct understated receivable
Fund balance - beginning	154,784	-	

NOTE O: SUBSEQUENT EVENT

After the year ended June 30, 2004, the following significant event occurred:

In August 2004, the City received a grant from the U.S. Department of Housing and Urban Development. The grant totaled \$1,700,000 to be used for an Industrial Park Expansion Project.

City of Greenville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE P: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2004:

REVENUES	
Building permits	\$ 19,389
EXPENDITURES	
Salaries and wages	60,596
Office supplies	2,157
Other	<u>12,434</u>
TOTAL EXPENDITURES	<u>75,187</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (55,798)</u>

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of the amounts appropriated.

In the body of the required supplementary information, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General and Special Revenue Funds.

During the year ended June 30, 2004, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Attorney	\$ 100,000	\$ 101,439	\$ 1,439
Other financing uses			
Operating transfers out	939,550	940,316	766

REQUIRED SUPPLEMENTARY INFORMATION

City of Greenville

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,708,500	\$ 1,708,500	\$ 1,551,683	\$ (156,817)
Licenses and permits	23,000	23,000	21,919	(1,081)
Intergovernmental				
State	884,000	884,000	870,338	(13,662)
Local	110,000	110,000	163,125	53,125
Charges for services	349,000	349,000	265,365	(83,635)
Fines and forfeits	60,000	60,000	40,906	(19,094)
Interest and rents	156,600	156,600	62,074	(94,526)
Other	63,000	63,000	79,422	16,422
TOTAL REVENUES	3,354,100	3,354,100	3,054,832	(299,268)
EXPENDITURES				
General government				
Council	107,600	104,600	101,371	3,229
Manager	169,600	174,600	174,192	408
Clerk-treasurer	213,500	195,500	190,552	4,948
Board of review	1,100	1,100	529	571
Assessor	91,300	105,300	104,851	449
Elections	9,500	7,500	5,649	1,851
City hall and grounds	51,800	51,800	48,968	2,832
Attorney	50,000	100,000	101,439	(1,439)
Cemetery	57,300	46,300	40,323	5,977
Building services	78,500	78,500	75,187	3,313
Public safety building maintenance	49,100	52,100	50,973	1,127
Tree planting	7,600	7,600	1,050	6,550
Total general government	886,900	924,900	895,084	29,816
Public safety	1,480,200	1,480,200	1,442,497	37,703
Public works				
Public works	205,200	205,200	201,363	3,837
Engineer	127,000	127,000	125,417	1,583
Street lighting	90,000	90,000	85,370	4,630
Total public works	422,200	422,200	412,150	10,050

City of Greenville

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Community and economic development				
Planning	\$ 25,450	\$ 40,450	\$ 17,395	\$ 23,055
Zoning	3,050	3,050	626	2,424
Economic development	35,450	35,450	28,825	6,625
Total community and economic development	63,950	78,950	46,846	32,104
Recreation and cultural	91,900	101,900	100,120	1,780
Other				
Airport	24,400	27,400	26,689	711
Emergency services	6,450	7,450	7,029	421
Retirement	150,000	176,000	175,351	649
Employee fringes	281,000	281,000	276,326	4,674
Insurance	167,000	232,000	223,655	8,345
Total other	628,850	723,850	709,050	14,800
TOTAL EXPENDITURES	3,574,000	3,732,000	3,605,747	126,253
EXCESS OF REVENUES (UNDER) EXPENDITURES	(219,900)	(377,900)	(550,915)	(173,015)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,159,450	1,159,450	969,419	(190,031)
Operating transfers out	(939,550)	(939,550)	(940,316)	(766)
TOTAL OTHER FINANCING SOURCES (USES)	219,900	219,900	29,103	(190,797)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(158,000)	(521,812)	(363,812)
Fund balance, beginning of year	871,132	871,132	871,132	-0-
Prior period adjustments	-	-	(10,908)	(10,908)
Fund balance, end of year	\$ 871,132	\$ 713,132	\$ 338,412	\$ (374,720)

City of Greenville

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - State	\$ 505,000	\$ 505,000	\$ 489,567	\$ (15,433)
Interest earned	<u>1,000</u>	<u>1,000</u>	<u>1,769</u>	<u>769</u>
TOTAL REVENUES	506,000	506,000	491,336	(14,664)
EXPENDITURES				
Public works	<u>304,700</u>	<u>322,900</u>	<u>202,987</u>	<u>119,913</u>
EXCESS OF REVENUES OVER EXPENDITURES	201,300	183,100	288,349	105,249
OTHER FINANCING USES				
Operating transfers out	<u>(462,750)</u>	<u>(462,750)</u>	<u>(226,167)</u>	<u>236,583</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(261,450)	(279,650)	62,182	341,832
Fund balance, beginning of year	<u>885,262</u>	<u>885,262</u>	<u>885,262</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 623,812</u>	<u>\$ 605,612</u>	<u>\$ 947,444</u>	<u>\$ 341,832</u>

City of Greenville
Solid Waste Operations Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 165,000	\$ 165,000	\$ 166,810	\$ 1,810
Charges for services	652,850	652,850	653,352	502
Interest earned	6,000	6,000	1,847	(4,153)
TOTAL REVENUES	823,850	823,850	822,009	(1,841)
EXPENDITURES				
Public works	789,025	789,025	756,334	32,691
EXCESS OF REVENUES OVER EXPENDITURES	34,825	34,825	65,675	30,850
OTHER FINANCING USES				
Operating transfers out	(81,000)	(81,000)	(53,511)	27,489
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(46,175)	(46,175)	12,164	58,339
Fund balance, beginning of year	400,759	400,759	400,759	-0-
Fund balance, end of year	<u>\$ 354,584</u>	<u>\$ 354,584</u>	<u>\$ 412,923</u>	<u>\$ 58,339</u>

City of Greenville

Development and Rehabilitation Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest earned	\$ 3,000	\$ 3,000	\$ 555	\$ (2,445)
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,000	3,000	555	(2,445)
Fund balance, beginning of year	<u>224,670</u>	<u>224,670</u>	<u>224,670</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 227,670</u>	<u>\$ 227,670</u>	<u>\$ 225,225</u>	<u>\$ (2,445)</u>

OTHER SUPPLEMENTARY INFORMATION

City of Greenville
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2004

	Special Revenue			
	Local Street	Community Center	Danish Kingdom Maintenance	Industrial Park Development
ASSETS				
Cash and cash equivalents	\$ 412,320	\$ 3,308	\$ 752	\$ 84,937
Investments	-	-	-	-
Accounts receivable	-	5,843	-	-
Accrued interest receivable	-	-	-	-
Due from other governmental units State	13,383	-	-	-
TOTAL ASSETS	\$ 425,703	\$ 9,151	\$ 752	\$ 84,937
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 598	\$ 337	\$ -	\$ -
Accrued liabilities	-	5,608	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	598	5,945	-0-	-0-
FUND BALANCES				
Reserved for				
Perpetual care	-	-	-	-
Capital improvements	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special revenue funds	425,105	3,206	752	84,937
TOTAL FUND BALANCES	425,105	3,206	752	84,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 425,703	\$ 9,151	\$ 752	\$ 84,937

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
<u>Debt Service</u>	<u>Fire Department Equipment</u>	<u>Cemetery Perpetual Care</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 202,962	\$ 203,813	\$ 908,092
-	95,691	-	95,691
-	-	-	5,843
-	750	-	750
-	-	-	13,383
<u>\$ -0-</u>	<u>\$ 299,403</u>	<u>\$ 203,813</u>	<u>\$ 1,023,759</u>
\$ -	\$ -	\$ -	\$ 935
-	-	-	5,608
-	-	1,154	1,154
-0-	-0-	1,154	7,697
-	-	202,659	202,659
-	299,403	-	299,403
-	-	-	514,000
-	299,403	202,659	1,016,062
<u>\$ -0-</u>	<u>\$ 299,403</u>	<u>\$ 203,813</u>	<u>\$ 1,023,759</u>

City of Greenville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Special Revenue			
	Local Street	Community Center	Danish Kingdom Maintenance	Industrial Park Development
REVENUES				
Taxes	\$ 110,310	\$ -	\$ -	\$ -
Intergovernmental - State	162,827	-	-	-
Charges for services	-	122,096	-	-
Interest and rents	4,353	592	1	-
Other	-	38,207	1,000	-
TOTAL REVENUES	277,490	160,895	1,001	-0-
EXPENDITURES				
Current				
Public works	299,154	-	-	5,805
Recreation and cultural	-	190,454	2,188	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	299,154	190,454	2,188	5,805
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,664)	(29,559)	(1,187)	(5,805)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	115,000	100,100	-	-
Sale of capital assets	-	-	-	19,705
Operating transfers out	(97,069)	(67,493)	(48)	(516)
Loss on investment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	17,931	32,607	(48)	19,189
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,733)	3,048	(1,235)	13,384
Fund balances, beginning of year	428,838	158	1,987	71,553
Fund balances, end of year	\$ 425,105	\$ 3,206	\$ 752	\$ 84,937

Debt Service	Capital Projects	Permanent	Total
Debt Service	Fire Department Equipment	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 110,310
-	-	-	162,827
-	-	3,200	125,296
-	-	2,169	7,115
-	-	-	39,207
-0-	-0-	5,369	444,755
-	-	-	304,959
-	-	-	192,642
57,802	-	-	57,802
57,802	-0-	-0-	555,403
(57,802)	-0-	5,369	(110,648)
57,766	50,000	-	322,866
-	-	-	19,705
-	-	(500)	(165,626)
-	(705)	-	(705)
57,766	49,295	(500)	176,240
(36)	49,295	4,869	65,592
36	250,108	197,790	950,470
\$ -0-	\$ 299,403	\$ 202,659	\$ 1,016,062

City of Greenville

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Recreation	Parking System	Dial-A-Ride	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 16,585	\$ 27,194	\$ (32,466)	\$ 11,313
Due from State	-	-	9,352	9,352
Total current assets	16,585	27,194	(23,114)	20,665
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	678,826	284,935	963,761
TOTAL ASSETS	16,585	706,020	261,821	984,426
LIABILITIES				
Current liabilities				
Accounts payable	-	35	7,269	7,304
Accrued liabilities	3,037	-	4,625	7,662
Deferred revenue	4,466	-	10,000	14,466
TOTAL LIABILITIES	7,503	35	21,894	29,432
NET ASSETS				
Invested in capital assets	-	678,826	284,935	963,761
Unrestricted	9,082	27,159	(45,008)	(8,767)
TOTAL NET ASSETS	\$ 9,082	\$ 705,985	\$ 239,927	\$ 954,994

City of Greenville

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2004

	Recreation	Parking System	Dial-A-Ride	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 117,753	\$ -	\$ 115,454	\$ 233,207
OPERATING EXPENSES				
Salaries and wages	110,429	8,795	238,989	358,213
Supplies	24,416	1,676	52,079	78,171
Contracted services	18,339	-	279	18,618
Telephone	3,383	-	2,021	5,404
Utilities	1,022	-	2,815	3,837
Equipment rental	3,200	12,691	295	16,186
Travel and conference	1,342	-	55	1,397
Dues and subscriptions	2,403	-	-	2,403
Community center rental	5,234	-	-	5,234
Sponsor related expenses	13,979	-	-	13,979
Depreciation	-	30,494	91,644	122,138
Other	400	-	8,477	8,877
TOTAL OPERATING EXPENSES	184,147	53,656	396,654	634,457
OPERATING (LOSS)	(66,394)	(53,656)	(281,200)	(401,250)
NONOPERATING REVENUES				
Taxes	-	-	45,962	45,962
Special assessments	-	11,154	-	11,154
Intergovernmental				
Federal/State				
Operating grants	-	-	159,249	159,249
Capital grants	-	-	178,906	178,906
Local	-	-	9,000	9,000
Private contributions	-	-	1,500	1,500
TOTAL NONOPERATING REVENUES	-0-	11,154	394,617	405,771
INCOME (LOSS) BEFORE TRANSFERS	(66,394)	(42,502)	113,417	4,521
OPERATING TRANSFERS IN (OUT)				
Operating transfers in	112,550	23,000	-	135,550
Operating transfers out	(38,650)	(5,558)	(93,275)	(137,483)
TOTAL OPERATING TRANSFERS IN (OUT)	73,900	17,442	(93,275)	(1,933)
CHANGE IN NET ASSETS	7,506	(25,060)	20,142	2,588
Net assets, beginning of year	1,576	789,477	277,672	1,068,725
Prior period adjustments	-	(58,432)	(57,887)	(116,319)
Net assets, end of year	\$ 9,082	\$ 705,985	\$ 239,927	\$ 954,994

City of Greenville

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Recreation	Parking System
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 117,753	\$ -
Cash paid to employees	(110,950)	(8,795)
Cash paid to vendors	(76,637)	(14,332)
NET CASH (USED) BY OPERATING ACTIVITIES	(69,834)	(23,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	-	-
Special assessments	-	11,154
Intergovernmental		
Federal/State	-	-
Local	-	-
Private contributions	-	-
Operating transfers in	112,550	23,000
Operating transfers out	(38,650)	(5,558)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	73,900	28,596
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,066	5,469
Cash and cash equivalents, beginning of year	12,519	21,725
Cash and cash equivalents, end of year	\$ 16,585	\$ 27,194
Reconciliation of operating (loss) to net cash (used) by operating activities		
Operating (loss)	\$ (66,394)	\$ (53,656)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	-	30,494
(Increase) in receivables	-	-
Increase (decrease) in payables	(2,493)	35
Increase (decrease) in accrued liabilities	(521)	-
Increase (decrease) in deferred revenue	(426)	-
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (69,834)	\$ (23,127)

<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 106,187	\$ 223,940
(237,167)	(356,912)
<u>(59,208)</u>	<u>(150,177)</u>
(190,188)	(283,149)
45,962	45,962
-	11,154
338,155	338,155
9,000	9,000
1,500	1,500
-	135,550
<u>(93,275)</u>	<u>(137,483)</u>
301,342	403,838
<u>(180,876)</u>	<u>(180,876)</u>
(69,722)	(60,187)
<u>37,256</u>	<u>71,500</u>
<u>\$ (32,466)</u>	<u>\$ 11,313</u>
\$ (281,200)	\$ (401,250)
91,644	122,138
(9,267)	(9,267)
6,813	4,355
1,822	1,301
<u>-</u>	<u>(426)</u>
<u>\$ (190,188)</u>	<u>\$ (283,149)</u>

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF OPERATING REVENUES

Year Ended June 30, 2004

	July 1, 2003 to Sept. 30, 2003	Oct. 1, 2003 to June 30, 2004	Total
OPERATING REVENUES			
Demand response (fare box)	\$ 11,501	\$ 43,953	\$ 55,454
Contracted services	15,000	45,000	60,000
TOTAL OPERATING REVENUES	<u>\$ 26,501</u>	<u>\$ 88,953</u>	<u>\$ 115,454</u>

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF NONOPERATING REVENUES - LOCAL

Year Ended June 30, 2004

	July 1, 2003 to Sept. 30, 2003	Oct. 1, 2003 to June 30, 2004	Total
LOCAL NONOPERATING REVENUES			
Tax levy	\$ 48,972	\$ (3,010)	\$ 45,962
Private contributions	-	1,500	1,500
Intergovernmental - Local	6,000	3,000	9,000
 TOTAL LOCAL NONOPERATING REVENUES	 \$ 54,972	 \$ 1,490	 \$ 56,462

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF NONOPERATING REVENUES -
STATE AND FEDERAL GRANTS

Year Ended June 30, 2004

STATE AND FEDERAL GRANTS

State of Michigan Grants

Formula operating assistance (Act 51)	\$ 133,475
Capital grant - Section 5311	19,123
Capital grant - Section 5309	<u>16,658</u>

Total State Grants	169,256
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Federal Grants

U.S. DOT operating grant - Section 5311	25,774
U.S. DOT capital grant - Section 5311	76,493
U.S. DOT capital grant - Section 5309	<u>66,632</u>

Total Federal Grants	<u>168,899</u>
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TOTAL NONOPERATING REVENUES -
STATE AND FEDERAL GRANTS

\$ 338,155

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS
OF GENERAL OPERATIONS

Year Ended June 30, 2004

	Federal Section 5311		State Operating Assistance	
	July 1, 2003 to Sept. 30, 2003	Oct. 1, 2003 to June 30, 2004	July 1, 2003 to Sept. 30, 2003	Oct. 1, 2003 to June 30, 2004
EXPENSES				
Labor	\$ 51,716	\$ 187,273	\$ 51,716	\$ 187,273
Fringe benefits	22,054	55,221	22,054	55,221
Materials and supplies	22,950	29,129	22,950	29,129
Utilities	862	3,974	862	3,974
Insurance	-	16,000	-	16,000
Lease and rentals	90	205	90	205
Miscellaneous	55	8,756	55	8,756
Depreciation	-	91,644	-	91,644
Total expenses	97,727	392,202	97,727	392,202
Less Ineligible Expenses (1)				
Depreciation	-	(89,425)	-	(89,425)
Net expenses	<u>\$ 97,727</u>	<u>\$ 302,777</u>	97,727	302,777
Less: Section 5311 reimbursements			(4,886)	(20,888)
Net deficit eligible for state operating assistance reimbursemen			<u>\$ 92,841</u>	<u>\$ 281,889</u>
Maximum Section 5311 reimbursement				
FY 03 (10.95%)	<u>\$ 10,701</u>			
FY 04 (10.95%)		<u>\$ 33,154</u>		
Maximum State Operating assistance				
FY 03 (42.93218922%)			<u>\$ 39,859</u>	
FY 04 (42.236619648%)				<u>\$ 119,060</u>

(1) The City did not allocate the cost of the audit for the fiscal year ended June 30, 2003 to the Dial-A-Ride Fund. Therefore, audit costs were not deducted as an ineligible expense.

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF OPERATING EXPENSES

Year Ended June 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
OPERATING EXPENSES				
Labor				
Operators' wages and salaries	\$ 158,967	\$ -	\$ -	\$ 158,967
Other wages and salaries	53,930	13,743	12,349	80,022
Fringe benefits	63,322	8,685	5,268	77,275
Material and supplies consumed				
Fuel and lubricants	23,749	-	-	23,749
Other materials and supplies	18,040	9,229	1,061	28,330
Utilities	-	-	4,836	4,836
Depreciation	-	-	91,644	91,644
Insurance	16,000	-	-	16,000
Miscellaneous	8,756	-	55	8,811
Leases and rentals	6	289	-	295
	<u>6</u>	<u>289</u>	<u>-</u>	<u>295</u>
TOTAL OPERATING EXPENSES	<u>\$ 342,770</u>	<u>\$ 31,946</u>	<u>\$ 115,213</u>	<u>\$ 489,929</u>

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF NET CAPITAL ASSETS PURCHASED WITH FEDERAL, STATE, AND LOCAL GRANTS

Year Ended June 30, 2004

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Beginning balance - July 1, 2003	\$ 102,841	\$ 38,620	\$ 17,828	\$ 159,289
<u>Add:</u> current year additions	144,702	36,174	-	180,876
<u>Less:</u> current year depreciation of assets purchased with grant funds	<u>(70,818)</u>	<u>(18,083)</u>	<u>(524)</u>	<u>(89,425)</u>
Ending balance - June 30, 2004	<u>\$ 176,725</u>	<u>\$ 56,711</u>	<u>\$ 17,304</u>	<u>\$ 250,740</u>

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF MILEAGE DATA (UNAUDITED)

Year Ended June 30, 2004

	Public Transportation Mileage ⁽¹⁾
DEMAND-RESPONSE	
First quarter	32,049
Second quarter	33,450
Third quarter	35,110
Fourth quarter	32,646
TOTAL TRANSPORTATION	133,255

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

City of Greenville

Dial-A-Ride Fund

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2004

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Expenditures
FEDERAL				
<u>U.S. Department of Transportation</u>				
Passed through MDOT				
Operating Assistance - Section 5311	20.509			
FY 02-03		02-0042/Z4	\$ 29,313	\$ 7,329
FY 03-04		02-0042/Z6	18,445	18,445
Capital Grant - Section 5311		02-0042/R1	664	664
Capital Grant - Section 5311		02-0042/Z2	75,829	75,829
Capital Grant - Section 5309		02-0042/Z3	66,632	66,632
TOTAL FEDERAL AWARDS			190,883	168,899
STATE				
<u>Michigan Department of Transportation</u>				
Operating Assistance - Act 51	N/A			
FY 00-01		N/A	88,385	483
FY 01-02		N/A	118,778	3,181
FY 03-04		N/A	129,811	129,811
Capital Grant - Section 5311		02-0042/R1	166	166
Capital Grant - Section 5311		02-0042/Z2	18,957	18,957
Capital Grant - Section 5309		02-0042/Z3	16,658	16,658
TOTAL STATE AWARDS			372,755	169,256
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 563,638</u>	<u>\$ 338,155</u>

City of Greenville

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment
ASSETS			
Current assets			
Cash and cash equivalents	\$ 350,299	\$ 31,033	\$ 137,535
Investments	-	250,000	-
Accounts receivable	-	7,980	-
Accrued interest receivable	-	1,463	-
Total current assets	350,299	290,476	137,535
Noncurrent assets			
Investments	-	-	-
Capital assets, net of accumulated depreciation	232,855	-	-
Total noncurrent assets	232,855	-0-	-0-
TOTAL ASSETS	583,154	290,476	137,535
LIABILITIES			
Current liabilities			
Accounts payable	2,815	2,470	-
Accrued liabilities	1,254	-	-
Current portion - compensated absences	-	-	-
Total current liabilities	4,069	2,470	-0-
Noncurrent liabilities			
Noncurrent portion - compensated absences	-	-	-
TOTAL LIABILITIES	4,069	2,470	-0-
NET ASSETS			
Invested in capital assets, net of related debt	232,855	-	-
Unrestricted	346,230	288,006	137,535
TOTAL NET ASSETS	<u>\$ 579,085</u>	<u>\$ 288,006</u>	<u>\$ 137,535</u>

Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total
\$ 16,234	\$ 4,750	\$ 195,876	\$ 735,727
-	-	120,445	370,445
-	-	-	7,980
-	2,119	3,540	7,122
16,234	6,869	319,861	1,121,274
-	188,221	208,590	396,811
-	-	-	232,855
-0-	188,221	208,590	629,666
16,234	195,090	528,451	1,750,940
-	-	-	5,285
-	-	-	1,254
-	-	117,833	117,833
-0-	-0-	117,833	124,372
-	-	389,042	389,042
-0-	-0-	506,875	513,414
-	-	-	232,855
16,234	195,090	21,576	1,004,671
<u>\$ 16,234</u>	<u>\$ 195,090</u>	<u>\$ 21,576</u>	<u>\$ 1,237,526</u>

City of Greenville

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

Year Ended June 30, 2004

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment
OPERATING REVENUES			
Charges for services	\$ 431,099	\$ -	\$ -
Other	-	109,588	-
TOTAL OPERATING REVENUES	431,099	109,588	-0-
OPERATING EXPENSES			
Salaries and wages	68,683	-	-
Benefits	-	789,877	-
Operating supplies	63,233	-	-
Utilities	17,361	-	-
Repairs and maintenance	100,614	-	-
Depreciation	29,721	-	-
TOTAL OPERATING EXPENSES	279,612	789,877	-0-
OPERATING INCOME (LOSS)	151,487	(680,289)	-0-
NONOPERATING REVENUES			
Interest earned	3,132	4,038	1,455
Loss on investments	-	-	-
TOTAL NONOPERATING REVENUES	3,132	4,038	1,455
INCOME (LOSS) BEFORE TRANSFERS	154,619	(676,251)	1,455
OTHER FINANCING SOURCES (USES)			
Operating transfers in	151,550	606,467	-
Operating transfers out	(131,757)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	19,793	606,467	-0-
NET INCOME (LOSS)	174,412	(69,784)	1,455
Net assets, beginning of year	617,345	357,790	136,080
Prior period adjustments	(212,672)	-	-
Net assets, end of year	\$ 579,085	\$ 288,006	\$ 137,535

Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total
\$ -	\$ -	\$ -	\$ 431,099
-	-	-	109,588
-0-	-0-	-0-	540,687
-	-	-	68,683
-	-	13,748	803,625
-	-	-	63,233
-	-	-	17,361
-	-	-	100,614
-	-	-	29,721
-0-	-0-	13,748	1,083,237
-0-	-0-	(13,748)	(542,550)
173	-	5,156	13,954
-	(4,910)	-	(4,910)
173	(4,910)	5,156	9,044
173	(4,910)	(8,592)	(533,506)
-	-	3,733	761,750
-	-	-	(131,757)
-0-	-0-	3,733	629,993
173	(4,910)	(4,859)	96,487
16,061	200,000	26,435	1,353,711
-	-	-	(212,672)
<u>\$ 16,234</u>	<u>\$ 195,090</u>	<u>\$ 21,576</u>	<u>\$ 1,237,526</u>

City of Greenville

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 431,099	\$ 111,030	\$ -
Cash paid to employees	(68,349)	(789,895)	-
Cash paid to vendors	(182,805)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	179,945	(678,865)	-0-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	151,550	606,467	-
Operating transfers out	(131,757)	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	19,793	606,467	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(115,390)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	3,132	4,038	1,455
Loss on investments	-	-	-
Maturity of investments	-	-	-
Purchase of investments	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,132	4,038	1,455
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,480	(68,360)	1,455
Cash and cash equivalents, beginning of year	262,819	99,393	136,080
Cash and cash equivalents, end of year	<u>\$ 350,299</u>	<u>\$ 31,033</u>	<u>\$ 137,535</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 151,487	\$ (680,289)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	29,721	-	-
Decrease in accounts receivable	-	1,442	-
(Decrease) in accounts payable	(1,597)	(18)	-
Increase (decrease) in accrued liabilities	334	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 179,945	\$ (678,865)	\$ -0-

Weekly Indemnity	Retiree Health Benefits	Accrued Sick and Vacation Liability	Total
\$ -	\$ -	\$ -	\$ 542,129
-	-	(33,938)	(892,182)
-	-	-	(182,805)
-0-	-0-	(33,938)	(532,858)
-	-	3,733	761,750
-	-	-	(131,757)
-0-	-0-	3,733	629,993
-	-	-	(115,390)
173	-	5,066	13,864
-	(7,029)	-	(7,029)
-	200,000	23,273	223,273
-	(388,221)	-	(388,221)
173	(195,250)	28,339	(158,113)
173	(195,250)	(1,866)	(176,368)
16,061	200,000	197,742	912,095
<u>\$ 16,234</u>	<u>\$ 4,750</u>	<u>\$ 195,876</u>	<u>\$ 735,727</u>
\$ -	\$ -	\$ (13,748)	\$ (542,550)
-	-	-	29,721
-	-	-	1,442
-	-	-	(1,615)
-	-	(20,190)	(19,856)
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (33,938)</u>	<u>\$ (532,858)</u>

City of Greenville

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2004

	Trust and Agency	Current Tax Collections	Total
ASSETS			
Cash and cash equivalents	\$ 1,602,694	\$ 14,265	\$ 1,616,959
Due from other funds	37,920	-	37,920
TOTAL ASSETS	<u>\$ 1,640,614</u>	<u>\$ 14,265</u>	<u>\$ 1,654,879</u>
LIABILITIES			
Due to other funds	\$ -	\$ 3,859	\$ 3,859
Due to component units	388,362	-	388,362
Due to other governmental units	1,237,502	10,406	1,247,908
Due to individuals and agencies	14,750	-	14,750
TOTAL LIABILITIES	<u>\$ 1,640,614</u>	<u>\$ 14,265</u>	<u>\$ 1,654,879</u>

City of Greenville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 145,781
Due from State	174,968
	<hr/>
TOTAL ASSETS	\$ 320,749
	<hr/>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 646
Due to primary government	8,310
	<hr/>
TOTAL LIABILITIES	8,956
	<hr/>
FUND BALANCE	
Unreserved	
Undesignated	311,793
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 320,749
	<hr/>

City of Greenville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

Total fund balance - governmental fund - \$ 311,793

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets are not financial resources and therefore are not reported
as assets in the fund.

The cost of capital assets is	\$ 6,257,050
Accumulated depreciation is	<u>(78,213)</u>

Capital assets, net	6,178,837
---------------------	-----------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	54,724
Bonds payable	<u>4,655,000</u>
	<u>(4,709,724)</u>

Net assets of governmental activities	<u><u>\$ 1,780,906</u></u>
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City of Greenville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 368,939
Intergovernmental - State	11,880
Interest	2,557
Other	<u>313</u>
TOTAL REVENUES	383,689
EXPENDITURES	
Current	
Community and economic development	171,837
Capital outlay	203,588
Debt service	
Principal retirement	60,000
Interest	<u>221,845</u>
TOTAL EXPENDITURES	<u>657,270</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(273,581)
Fund balance, beginning of year	123,331
Prior period adjustment	<u>462,043</u>
Fund balance, end of year	<u><u>\$ 311,793</u></u>

City of Greenville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

Net change in fund balance - governmental fund \$ (273,581)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 203,588	
Depreciation expense	<u>(78,213)</u>	
Excess of capital outlay over depreciation expense		125,375

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		60,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>675</u>
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Change in net assets of governmental activities \$ (87,531)

City of Greenville

Component Unit Funds

BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY

June 30, 2004

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 119,724
Due from fiduciary funds	<u>125,054</u>
TOTAL ASSETS	<u><u>\$ 244,778</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved	
Undesignated	<u>244,778</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 244,778</u></u>

Note: A reconciliation of this component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as this component units' fund balance was equal to the component units' net assets as of June 30, 2004.

City of Greenville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY

Year Ended June 30, 2004

	Special Revenue
REVENUES	
Taxes	\$ 160,961
Interest	232
	<hr/>
TOTAL REVENUES	161,193
EXPENDITURES	
Other	95,000
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	66,193
Fund balance, beginning of year	<hr/> 178,585
Fund balance, end of year	<hr/> <hr/> \$ 244,778

Note: A reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component units' governmental funds to the statement of activities for the component unit is not required as the net change in fund balance of this component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2004.

City of Greenville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ (109,642)
Due from fiduciary funds	<u>263,308</u>
TOTAL ASSETS	<u>\$ 153,666</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved	
Undesignated	<u>153,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 153,666</u>

City of Greenville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

Total fund balance - governmental fund \$ 153,666

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 4,754	
Bonds payable	<u>1,472,450</u>	<u>(1,477,204)</u>

Net assets of governmental activities \$ (1,323,538)

City of Greenville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2004

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 198,897
Interest	<u>343</u>
TOTAL REVENUES	199,240
EXPENDITURES	
Debt service	
Principal	119,963
Interest	<u>75,605</u>
TOTAL EXPENDITURES	<u>195,568</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,672
Fund balance, beginning of year	<u>149,994</u>
Fund balance, end of year	<u><u>\$ 153,666</u></u>

City of Greenville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2004

Net change in fund balance - governmental fund	\$	3,672
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	119,963
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>600</u>
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Change in net assets of governmental activities	\$	<u>124,235</u>
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City of Greenville

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

June 30, 2004

	<u>Special Revenue</u>
ASSETS	
Due from primary government	<u>\$ 1,147</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved	
Undesignated	<u>1,147</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,147</u>

Note: A reconciliation of this component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as this component units' fund balance was equal to the component units' net assets as of June 30, 2004.

City of Greenville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended June 30, 2004

	<u>Special Revenue</u>
REVENUES	\$ -
EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-
Fund balance, beginning of year	<u>1,147</u>
Fund balance, end of year	<u><u>\$ 1,147</u></u>

Note: A reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component units' governmental funds to the statement of activities for the component unit is not required as the net change in fund balance of this component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2004.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Greenville
Greenville, Michigan

We have audited the financial statements of City of Greenville, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Greenville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Greenville in a separate letter dated September 23, 2004.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Greenville and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 23, 2004

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Greenville
Greenville, Michigan

As you know, we have recently completed our audit of the records of the City of Greenville, Michigan as of and for the year ended June 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. The City should ensure that all timesheets are properly approved before payment is made.

During our testing of the payroll process, it was noted that timesheets received by the payroll clerk from the Recreation department were not properly approved. Employee time cards are properly approved in the Recreation department, but that information is transferred to a summary timesheet when submitted for payment that is not being approved.

We suggest that the timesheets which are submitted for payment be properly approved in the Recreation department.

2. The City should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the City had outstanding checks listed on the Common Cash bank reconciliation that were more than a year old. The Michigan Public Act 29 of 1995 provides that the City report and escheat unclaimed property to the State of Michigan that is greater than one year old.

We suggest the City attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the City review their unclaimed property and escheat funds to the State of Michigan as necessary.

3. The City should retain supporting documentation for credit card transactions.

During our audit, it was noted that in some instances there was no supporting documentation available for credit card disbursements. Acceptable supporting documentation would include receipts for purchases with the business purpose of the purchase written on them. We noted two (2) transactions from ten (10) monthly credit card statements tested did not have supporting documentation.

We suggest the City retain all documentation supporting credit card disbursements, in accordance with Board policy.

4. The City should not levy taxes without proper authorization.

During our audit it was noted that the City levied 2003 winter taxes for the Flat River Community Library without obtaining the proper L-4029 Tax Rate Request form. This form is completed by the Library and submitted to the City and County to inform the taxing authority how many mills out of the maximum allowable will be levied for the tax year. In the absence of this required submission, the City levied the same number of mills that had been levied in 2002. When the form was obtained at our request, the mills levied were 0.1039 mills lower than that actually requested, resulting in lost revenue to the Library of approximately \$20,274.

We suggest that the City obtain the proper L-4029 Tax Rate Request form prior to levying any taxes.

5. The City should ensure that quarterly reports for the transit system are properly filled out.

During our audit it was noted that the quarterly reports required by the Michigan Department of Transportation for the transit system were not filled out consistently or correctly. Revenues received for contractual services, local government and private contributions were reflected in different lines each quarter. April 2003 general ledger information was used to prepare the April - June 2004 quarterly report. Also, expenditure information reported to the Michigan Department of Transportation did not agree with the general ledger for the year. The differences noted were not considered material and the financial statements reflect corrected figures. In addition, no management review of the quarterly reports is being done.

We suggest the City review procedures related to the completion and submission of the transit system quarterly reports. We also suggest that quarterly reports be reviewed by appropriate management to ensure accuracy.

6. Budgets should be monitored and amended when necessary.

As noted in the financial statements, the budgeted expenditures of two (2) activities of the General Fund exceeded the amount appropriated.

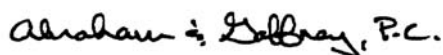
The Michigan Public Act 621 of 1978, as amended, provides that the City adopt a formal budget for the General Fund and Special Revenue funds, and shall not incur expenditures in excess of amounts appropriated.

We suggest the City monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the financial statements dated September 23, 2004.

This report is intended solely for the information of management, the Mayor, and members of the City Council of the City of Greenville and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss this suggestion with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 23, 2004